Final Edition ESTABLISHED 1839 In 2 Sections—Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 164 Number 4536 New York, N. Y., Thursday, October 24, 1946 Price 60 Cents a Copy

Crisis Coming: Virgil Jordan

President of the Conference Board says there may be not only another business depression but also a profound upheaval of American life. Says American business is no longer sure it wants a free economy, and that extension of international collectivism, through United Nations, threatens a politically controlled economy in America. Lays down essentials for revival of free economy.

Dr. Virgil Jordan

Addressing the Union League Club of Chicago on Oct. 15, Dr. Virgil Jordan, President of the National Industrial Conference Board, asserted that "the crucial question that confronts the United States and the world is whether the American people are willing

(Continued on page 2120)

INDEX
For detailed index of contents see page 2071

Inflation Approaching Peak

By ALLEN H. TEMPLE*
Vice-President, National City Bank of New York

Bank official, commenting on loose and improper use of word "inflation," reviews progress of rising prices and economic conditions resulting therefrom during and following war, points out that we "fumbled" opportunity to stabilize conditions by not buckling down to job of getting productive organization back to peacetime working order. Says current situation is characterized by immense credit expansion based largely on government borrowing, and hence there will be no forced or disorderly liquidation as after last war, but sees danger in distorted cost-price relationships. Holds we are approaching peak of inflationary phase concludes there is no likelihood of extensive disastrous deflation.

Of all words in the economic vocabulary inflation is probably the most loosely and improperly used. It means so many different things to different people that it has become almost useless for the accurate communication of thought. Many people think of rising prices and inflation as one and the same thing. Of course it is true that inflation manifests itself in rising prises, but they are not the same thing. A more useful description of inflation, and one which is more calculated to promote sound thinking about it, is one which emphasise its causes. In inflation three conditions exist. One is that people have a lot more money than before. The second is that they spend more freely instead of saving the excess. The third is that there are not enough goods

Alan H. Temple

(Continued on page 2098)

*An address by Mr. Temple before the Pennsylvania Waterworks Association, Atlantic City, N. J., Oct. 18, 1946.

What Does the Stock Market Break Portend?

By DR. MELCHIOR PALYI*

Asserting symptoms indicate continuation of a shortage economy and inflationary boom because commodity prices have not yet fallen with stock prices, Dr. Palyi sees probable cause of stock market break in declining and fluctuating profits. Holds labor's demands mean that volume production, which is now handicapped by shortages, must be greater than normal. Sees unsatisfactory international trade situation and unprecedented consumer spending as means of inflating both prices and wages and causing more acute shortages. Concludes stock market debacle is due to bewilderment in face of complicated and confused situation.

In 1926, under the ill-fated Stevenson scheme, the price of crude rubber reached the all-time high of $1.26 per pound. When the stock market broke in September, 1929, the rubber price had already dived to some 40 cents, or by two-thirds. During those years of boom, the coffee price went down to one-third; sugar, tin, zinc, cotton, hides, and other raw materials were in the process of softening. Nay, the entire price level was "slipping"; from 103.5 in 1925, the BLS wholesale index fell to about 95 in 1929, with textile products down from 108.3 to

Dr. Melchior Palyi

(Continued on page 2095)

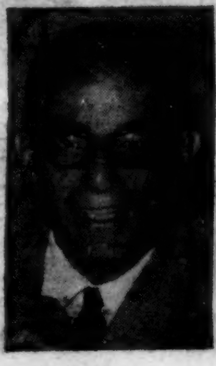
*Based on talk by Dr. Palyi before the Association of Customers Brokers, New York City, Oct. 3, 1946.

"Town Meeting of the World" Moves to Western Hemisphere

By A. WILFRED MAY

President Truman, sounding keynote at UN General Assembly's convening in New York, warns that the peoples' desire for peace as an ideal must be implemented by realistic sacrifices. The prospect of indecisive oratory threatens, in contrast with the realistic decisions confronting the Council of Foreign Ministers. Climactic Veto re-examination possible. Molotov the public's "international Frank Sinatra."

FLUSHING MEADOW PARK, N. Y. Oct. 23, 1946—In this former skating rink which, with the aid of a $2¼ million face-lifting treatment, is now serving as the universe's "Temple of Peace"—the United Nations Assembly today began another major re-airing of the world's problems. Climaxing a hectic day brimful of typical American fanfare—including motor parades with sirens, a City Hall performance and luncheon with Maestro Whalen, and official receptions with sugar—our first citizen, President Truman, out here in the late afternoon welcomed the array of delegates and secretariats to the scene of their 6½ (?) weeks of activities.



A. Wilfred May

(Continued on page 2131)

(Text of President Truman's address on page 2073)

How Long Government Controls?

By HENRY HAZLITT*
Associate Editor, "Newsweek"

Asserting decontrol has proceeded in precisely the opposite direction than might be expected, Mr. Hazlitt characterizes rationing removal while retaining price ceilings as "chaotic." Holds new price control law is defective because it does not give President power to decontrol at his discretion. Contends price control actually prolongs inflation by cutting down production and reducing profit margins and points out effects of partial controls in raising prices of uncontrolled items. Concludes universal price control, to be effective, must ultimately lead to a totalitarian economy, while partial control does not reduce general price level. Urges abolition of all price controls to deal properly with inflation.

Now that meat control has collapsed in dramatic fashion, and the Administration has announced a rapid decontrol program, the question that every business man is asking himself is how long the wartime government controls over the economy are going to be continued. My own belief is that price controls over the bulk of the economy will be prolonged more than most people at present suppose. There seems to be a feeling that decontrol will now be extremely rapid. Many people are saying that price control is already out the window.

Henry Hazlitt

But what we have actually is a very chaotic situation. The controls over the national economy have come off the things that nearly everybody expected to be decontrolled last. Decontrol has proceeded in precisely the opposite direction from the one that seemed to make common sense.

Shortly after V-J Day rationing of meats and other foodstuffs was discontinued and price ceilings retained. This was exactly the way to bring about a shortage. Now, at last, not only meat but practically all foodstuffs have been decontrolled. But while price ceilings have been taken off foodstuffs, which now go wherever the forces of supply and demand send them, they are still held on the great bulk of manufactured articles. This is chaotic. Price ceilings are still being held on whiskey (unless it is in new barrels), while milk is free of controls. Lamb and beef and chicken are left to the free market, but the price of automobiles is held so that the poor man can get his share of Lincolns and Cadillacs.

(Continued on page 2120)

*An address delivered before the Sales Executive Club, New York City, Oct. 22, 1946.

Outlook for Business and The Securities Markets

By RAGNAR D. NAESS*

Mr. Naess expects enormous increase in available consumers' goods will result in intensified competition and lower prices. Anticipates sharp curtailment in capital expenditures. Looks for decline in business and commodity prices, but only as a "temporary washout" of 12-18 months. Expects common stocks to move selectively and divergently.

In our business we have to be constantly on the watch for developments that may cause a change in the outlook for business and the security markets. We have respect for our economic analysis and our conclusions regarding future developments in business and security markets but we also recognize our own limitations and we are not surprised if we sometimes have to change our opinions quickly because of economic and political developments that may suddenly occur.

Ragnar D. Naess

We go on the assumption that no one will be able to foresee either a top or a bottom in the stock market, except by luck, and that a rational investment policy places considerable emphasis on the prices of securities in relation to their basic long-term values. If prices appear either high or low against values the proper policy should be adopted to recognize this condition. If sudden economic or political developments occur that require an important change of policy and if, by chance, this change of policy can be put into effect only after a top has been reached in security prices it is of great importance that portfolios be adjusted immediately in line with the changes in the basic outlook. In this sense it is sometimes more difficult to execute a policy than it is to formulate it.

*An address delivered by Mr. Naess at the Harvard Business School Club, New York City, Oct. 16, 1946.

Immediate Reason for Change in Investment Policy

We knew right along this Spring and Summer that common stock prices were relatively high in relation to the outlook for earnings and dividends over a period of say five to ten years ahead. The economic situation still looked favorable early this year. We expected earnings and dividends to improve substantially in heavy industry and remain favorable in light industry, in trade and in service industries. A change in this favorable outlook began to occur about mid-summer. By August it appeared to us, on the basis of the available data covering developments during July that the trend of commodity prices was dangerous and unhealthy. The actual levels of prices at wholesale and retail that obtained in July did not disturb

(Continued on page 2100)

INDEX

Articles and News Page

What Does The Stock Market Break Portend
—Melchior Palyi .... Cover
Inflation Approaching Peak—Allen H. Temple .... Cover
Crisis Coming—Virgil Jordan .... Cover
"Town Meeting of the World" Moves to Western Hemisphere—A. Wilfred May .... Cover
How Long Government Controls?—Henry Hazlitt 2070
Outlook for Business and the Securities Markets
—Ragnar D. Naess 2070
The Outlook for Red Herrings—David Saperstein 2071
Regulation "Shenanigans"—Editorial 2071
How Far Can Federal Expenditures Be Trimmed?
—A. M. Sakolski 2072
The Boom Is Here—What's Next?—Lewis Schellbach 2072
The UN's Struggle for Peace—President Truman 2073
Chinese Communism—A Menace to World Peace
—Ta Kung Ming 2074
What's Ahead for the U.S.?—Merryle Stanley Rukeyser 2074
Why Our Living Standard Is Highest—Robert T. Haslam 2074
Government In Business—George V. McLaughlin 2075
Let's Wipe Out Economic Illiteracy—Ody H. Lamborn 2075
Law or Anarchy—Albert E. Bowen 2075
"No Grounds for Further Stock Liquidation"
—Edson Gould 2076
Financing Foreign Trade—Wilbert Ward 2077
Italy's Future Import Requirements—Antonio Giordano 2077
International Organizations Fostering Foreign Trade
—Lewis L. Lorwin 2077
Current Trends in International Transactions
—Amos E. Taylor 2078
Contrasts Within Europe—Herbert M. Bratter 2080
Only A Republican Congress Can Check Inflation
—Senator Taft 2080
The Federal Reserve System and Credit Control
—Ralph A. Young 2080
Reasons for Stock Market Break
—Albert E. Van Court and Augustus Slater 2082
World Bank Faces Crucial Decisions
—Ernest H. Weinwurm 2082
Needed: Reform of Construction Industry
—Beardsley Ruml 2082
Scouting the Economic Front—Arthur A. Hood 2083
Comprehensive Social Security—A. J. Altmeyer 2083
Pitfalls and Guideposts of Commercial Banking
—Edward A. Wayne 2083
A Challenge to Free Enterprise—Roger W. Babson 2084
National Transportation Policy—Donald D. Conn 2083
Are Labor-Management Relations Based on Economic Principles—Jerome and S. Jay Levy 2085
Rival Unions Now Seeking to Organize Banks and Brokerage Houses of Wall Street Community—Edmour Germain 2132
"Federal Usurpations in Attacking Inflation Dangerous"
—Joseph Stagg Lawrence 2073
Underwriters Agree With SEC It Should Be Easy for Investors to Get Data on New Issues 2073
Criticizes Personnel Increase in Government
—Senator Byrd 2075
Underwriters Take Exception to J. Arthur Warner Trying to Pin Market Slump on Them 2076
Ohman's Farewell Message to Chicago Stock Brokers' Association 2079
Economists See End of Price Inflation in 1947 2081
London Sees Delay in Operation of Monetary Fund 2083
Sees Buyers' Market Imminent—Marcus Nadler 2085
Switzerland and U. S. Conclude Trade Agreement 2087
Canada Eases Securities Transactions 2090

Regular Features

Bank and Insurance Stocks 2088
Business Man's Bookshelf 2082

(Continued on page 2132)

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, October 24, 1946

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.)

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $26.00 per year; in Dominion of Canada, $29.00 per year. Other Countries, $33.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)

Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Outlook for Red Herrings

By DAVID SAPERSTEIN

Former Director, Trading & Exchange Division, Securities & Exchange Commission

Former SEC official holds SEC's proposed changes in rules for new issue distribution leave unsettled several questions which he analyzes. Concludes, nevertheless, program as a whole is sound and constructive in developing a radically improved instrumentality for wider circulation of information under proper standards.

David Saperstein

The SEC's current proposals for regulating the use of the red herring prospectus have focused widespread attention upon one of the agency's basic problems in administering the Securities Act of 1933. The proposals, recently submitted to various interested parties for comment, are addressed to the problem of encouraging the broadest possible dissemination of information in a registration statement between the filing date and the effective date, without opening the door to sales, offers to sell, or offers to buy during that period. While several important questions are left unsettled by the tentative rules drafted to give effect to the new program, the program as a whole is a sound and constructive step in the right direction.

(Comments received by the 'Chronicle' with reference to SEC's proposal appear on page 2073.)

The SEC Proposals

In substance, the proposals dealing with the red herring prospectus are as follows:

1. A red herring prospectus used

(Continued on page 2110)

Regulation "Shenanigans"

Communications of SEC and NASD on filing of financial statements by dealers and brokers analyzed. Knowledge by NASD Governors of Executive Director's instant activities questioned. SEC letter disapproved, and right to "Special Statement" under Rule X-17A-5 doubted. Encroachment by administrative regulation scored.

There follows the full text of a letter sent out by the Executive Director of the National Association of Securities Dealers, to its membership:

"National Association of Securities Dealers, Inc.
1835 K Street, N. W.
Washington 6, D. C.

Oct. 3, 1946

To Members of the
National Association of Securities Dealers, Inc.:

The Securities and Exchange Commission has requested registered brokers and dealers to file with it a statement of financial condition as of Sept. 30, 1946.

The Association requests that you file with the Executive Office a copy of the financial statement filed by you in response to this letter of the Securities and Exchange Com-

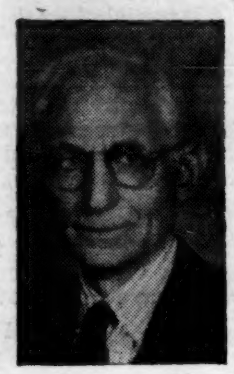
(Continued on page 2119)

How Far Can Federal Expenditures Be Trimmed?

By A. M. SAKOLSKI

Dr. Sakolski calls attention to public demands for reduced Federal expenditures and Federal taxes, and points out substantial reductions are out of question in view of fact bulk of government outlays are of a fixed character or are required by military and administrative necessity. Shows economy program following First World War was confined almost entirely to reduction in Army and Navy costs, as other expenditures were largely stationary. Estimates that Federal expenditures in coming years will equal or exceed present receipts, and doubts whether total outlays can be reduced below $35 or $40 billions annually.

A victorious war's end always brings hopes of taxation relief. This hope again has been manifested. On all sides, there are either clamors for tax reductions or silent expectation that the government's fingers will leave more of the national income in the public's pockets. The basis of these expectations, of course, is reduced government expenditure in peacetime.



A. M. Sakolski

Thus an editorial in the New York "Times" of Aug. 16 boldly states:

"The major factor in the continuing unbalance of the Federal budget, however, is not the present high tax rates. Record volume of expendtures for peacetime, plus the unwillingness of Congress to hold down new appropriations, plus the willingness of the Administration to approve of such new appropriations—this is the source of the budget deficit. Before Tax rates can be reduced significantly, a more determined effort must be made to bring expenditures under control. Under the revised budget recently released by the President, expenditures are estimated at more than $40,000,000,000 during the current fiscal year. Unless these expenditures can be pared substantially, tax relief is out of the question.

"Most students of this problem have estimated that a postwar budget would be easily possible of less than $25,000,000,000. There is a wide disparity between these estimates and the budget realities of 1946-47. A determined effort must be made to reduce the total volume of spending. This effort must be in terms of billions, not in terms of millions, if a healthy budgetary situation is to be achieved. The main emphasis must be on reduced spending rather than reduced taxes."

But there is much doubt that the reduced spending will be substantial. So the bulk of the nation's taxpayers, particularly business concerns, are doomed to disappointment. Senator Walter George, Chairman of the Senate Tax Committee has already given notice that the present scale of taxation is to remain,—this is a

(Continued on page 2099)

BUSINESS BUZZ

"Well, I Wouldn't Exactly Call A Sweepstakes Ticket Collateral, Mr. Pendleton!"

The Boom Is Here—What's Next?

By LEWIS SCHELLBACH*
Economist of Standard & Poor's Corp.

Economist holds that tip-off on future is provided by renewed union demands, worsening already-created dislocations. Asserts production already exceeds consumption, and that former may drop 24% with Federal Reserve Index bogging down to 135. Expects increasing competition with credit troubles.

"The Boom is Here; What's Next?" The first part is self-evident. Industrial production is at record peacetime rates. Employment is surpassing the wildest expectations. National income is above the highest point reached during the war. Retail trade is at new peaks. Profits are rolling in.

The second part—what's next—presents the problems. A few storms signals have gone up, and if experience teaches anything it is that those signals should be examined most carefully when the business skies seem clearest.

The first storm signal was the break in stock prices, which dropped 22% in a hurry. Similar declines in 1920, 1929, and 1937 anticipated business depressions. While a wide variety of factors contributed to the stock market break, it was probably saying something of importance to businessmen, and something not very pleasant.

The second storm signal is the really terrific supply of grains, and of canned and frozen fruits and vegetables. With relief shipments tapering off as foreign harvests come in, it takes no great imagination to see what will happen to farm commodity prices next spring if another year of large domestic crops is then indicated.

The 1921 Deflation

If any one thing can be said to have caused the depression of 1921, it was the deflation of farm commodity prices, with the collateral slump in farm land values, resulting mortgage foreclosures, and bank failures. Both farm products and farm land have been inflated by World War II to al-

(Continued on page 2114)

*From an address by Mr. Schellbach before Tri-State Conference of Credit Men, Atlantic City, N. J., Oct. 18, 1946.

The UN's Struggle for Peace

By HON. HARRY S. TRUMAN*
President of the United States

President Truman asserts Assembly's coming to United States symbolizes our abandonment of isolation. Emphasizes our bi-partisan support of UN. Scouts fear of war, but warns against complacency and cites necessity of getting people to submit to collective justice. Stresses importance of UN's specialized agencies to further both economic and social reconstruction.

On behalf of the Government and the people of the United States I extend a warm welcome to the delegates who have come here from all parts of the world to represent their countries at this meeting of the General Assembly of the United Nations.

President Truman

I recall with great pleasure the last occasion on which I met and spoke with the representatives of the United Nations. Many of you who are here today were present then. It was the final day of the Conference at San Francisco, when the United Nations Charter was signed. On that day the constitutional foundation of the United Nations was laid.

For the people of my country this meeting has a special historic significance. After the first World War the United States refused to join the League of Nations and our seat was empty at the first meeting of the League Assembly. This time the United States is not only a member; it is host to the United Nations.

I can assure you that the Government and the people of the United States are deeply proud and grateful that the United Nations has chosen our country for its headquarters. We will extend the fullest measure of cooperation in making a home for the United Nations in this country. The American people welcome the delegates and the Secretariat of

(Continued on page 2114)

*Address by President Truman at opening of the General Assembly of the United Nations, Flushing Meadows, L. I., Oct. 23, 1946.

Underwriters Agree With SEC It Should Be Easy for Investors to Get Data on New Issues

Many underwriters are doubtful, however, whether the wider use of "red-herring" prospectuses exactly as suggested by James J. Caffrey, new Chairman of the Securities and Exchange Commission, would achieve this end or, for that matter, whether it would be legal. Nevertheless, underwriters are generally pleased with fact Mr. Caffrey recognizes some drastic revisions in laws and rules affecting their business are in order.

Underwriters agree with James J. Caffrey, new Chairman of the Securities and Exchange Commission, that it should be made easy for investors to obtain all the facts that can in any way have a bearing upon the values of coming new security offerings but many of them are doubtful whether the wider use of the "red-herring" prospectus, exactly as suggested by Mr. Caffrey, would achieve this end or, for that matter, whether it would be legal.

Mr. Caffrey has made friends for himself among the underwriters by suggesting that the SEC rules governing certain underwriting procedures should be changed. The underwriting fraternity generally has felt for some time that some drastic revisions in the laws affecting their business were in order.

It will be recalled that Mr. Caffrey gave the underwriting industry until Nov. 14 to submit opinions to him concerning his suggestion put by him in the form of a proposed rule which was published in full in our columns last week, and to assist in the general discussion the "Chronicle" has and still is inviting comment itself on the subject. Below are printed such comment as it has already received. Additional comment should be mailed to the Editor, The Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

Comment No. 1

Anything that helps to put a prospectus into the hands of a prospective investor as far ahead of the actual effective date of a new issue as possible is to the best interest of the investor and the underwriting industry as a whole. I would like to see a wider use of the synopsis method of getting the desired information to the investor, though I would not substitute the synopsis for the prospectus. I know that I myself hesitate to read a lengthy memorandum which can run up to 50 pages or so. The insurance companies, banks, and other large institutional investors hire entire staffs to study the various prospectuses as they come out. The individual investor, however, does not make a practice of reading these prospectuses. Every investor, large or small, would read a synopsis however. If the synopsis were on page one or two of the prospectus, then the investor could readily and easily turn to

(Continued on page 2117)

"Federal Usurpations in Attacking Inflation Dangerous"

Dr. Joseph Stagg Lawrence, Vice-President of Empire Trust Co., New York, holds Federal usurpations in attacking inflation are more grave than effects of inflation itself. Calls tax system larcenous in its impact on high incomes and attacks one-sided labor policy. In Virginia Beach address, he counsels attention be given to labor factors and government controls which raise costs and depress prices in the consideration of investments.

In an address before the Commercial Club of Cincinnati on Oct. 19, Joseph Stagg Lawrence, Vice-President of the Empire Trust Co. of New York, denounced the policies of the Administration in fighting inflation and asserted that under its pretext, because of power surpations by the Federal Government, the consequences are "far more grave than any possible ill effects of inflation itself."

Jos. Stagg Lawrence

"On the ground that inflation must be controlled," Dr. Lawrence stated, "the Federal Government has seized plants owned by private citizens in clear violation of the spirit of the Fifth Amendment. It has used this power to promote the interests of groups which in turn were expected to and in fact did help to return the current party to power."

"The right of buyers and sellers traditionally exercised in a free market to determine the fair price of more than 3,000,000 articles," he said, "was delegated to a government bureau on the specious and dangerous ground that the people had given it—the bureau—a mandate to control the law of supply and demand. In order to keep prices from rising, it was necessary—so ran the argument—to deny every merchant, every producer, every worker, every consumer that right of unhindered personal choice in the open market which is the very keystone in the arch of human freedom."

Continuing, Dr. Lawrence remarked that the government has contrived deliberately and consciously a monstrous encroachment upon our "inalienable" liberties in order to abate a lesser evil.

"For the same spurious reason, i.e., inflation control, the Federal Treasury throughout the war period agitated for an income tax structure, the net effect of which was to place a ceiling on earnings and redistribute income. Taxes that were larcenous in their impact upon high incomes were justified on the ground that they were necessary to curb inflation. This unjust and uneconomic tax structure became the revenue law of the land in spite of the fact that Mr. Morgenthau, when on the stand before a Congressional committee, admitted that the great bulk of increased buying power constituting a threat to prices was received by taxpayers in brackets below the $5,000 annual level.

"This distorted distribution of the tax load will ultimately undermine our economy. It gravely discourages the efforts of those citizens in every community who constitute the spark plugs of progress. The men who have intelligence, courage and energy to develop new processes, to find new ways to make better mouse traps, are precisely the men who are most heavily penalized by a tax structure allegedly designed to control inflation. No kind of discrimination by the State could be better calculated to shackle and destroy those dynamic elements in our economy which have been so largely responsible for our progress in the past.

"Again, for the alleged purpose of controlling inflation, the Federal Reserve Board has been given vast powers whose exercise has no perceptible relation to the purpose for which they have been granted. These authorities have the right to change reserve requirements of member banks.

(Continued on page 2090)

International Trade Conference Observers Arrive in London

LONDON, ENGLAND, Oct. 22 (by special cable)—The following individuals have just arrived here as observers of the meetings of the Preparatory Commission of the International Trade Organization currently getting under way: George Luthringer, American alternate to and ex-director of the International Monetary Fund; Walter Gardner of Funds Research Staff; Ansel Lucford, Assistant General Counsel of the World Bank, and Ernest Sturc, former director of the Fund.

Foster Nichols Forms Co.

YONKERS, N. Y.—Foster Nichols has opened offices at 30 South Broadway to engage in the securities business under the firm name of Foster Nichols Co. Mr. Nichols in the past was connected with Elmer A. Sheets Co.

Chinese Communism—A Menace To World Peace

By TA KUNG MING
Political Economist

Political economist, pointing to great American confusion over current Chinese situation, states Communism is permanently undermining his country's democracy and liberal economy. Asserts there is an unbridgable gap between Kuomintang and Communists. Warns if true situation is not faced, the present disturbance may constitute primary cause of new World War.

Great confusion reigns in American minds with respect to the situation in China. In the first place, there is a widespread impression that the present Chinese Government is both inefficient and corrupt. This belief is accompanied by a similar widespread contention that the Chinese Communists, contrary to their opponents, have shown considerable ability in administration and are good Chinese patriots in general. Then, there is the fear lurking in the background that the Chinese Communists are in some way connected with Soviet Russia. In addition to these two contrary factors, there is the hope for a democratic and united China, the first step toward which, in the mind of the man on the street, seems to be the formation of a coalition government.

The existence of this confusion is perfectly understandable if only we realize that, so far as the Chinese situation is concerned, many Americans suffer from the consequences of certain fallacies which they seem to hold inadvertently. These misconceptions may be described briefly as (1) failure to recognize the ideological differences between the Chinese Communists and the National Government; (2) inability, or unwillingness, to differentiate between the fundamental outlook and policy of the Chinese Communists from their temporary tactics; (3) the error consequent upon the above two factors in believing that it is possible to establish a coalition government by the two parties on an enduring and democratic basis, and (4) the belief that real peace, as distinct from a temporary military truce, is desired by the Chinese Communists as a Party merely because no one in China wishes to see civil war as such.

(Continued on page 2092)

What's Ahead for the U. S.?

By MERRYLE STANLEY RUKEYSER*

New York commentator on economics asserts greatest problem facing us is keeping aware of factors which make for our superior material well-being and high living standard. Stresses productivity as means of bringing greater stabilization of wages and prices and balanced income relationships among all producing groups. Ascribes stock market break to restricted short-selling and absence of margin trading, thereby making a thin market. Accuses Federal Administrators of getting their economics "by ear," and urges businessmen and others to take advantage of existing public ferment and dissatisfaction by expressing economic truths simply and forcibly. Sees reaction to saner Administration policies ahead.

The things that I want to discuss with you today about the future of the United States are approached in a non-partisan and non-political way.

Merryle S. Rukeyser

I think, in passing, that I might say that there is political ferment in the United States today. I think that change is under way in the voters' minds. Such change is not based on any academic upheaval, but on the practical observations of the sensible housewife in the shops of the nation, and on the observations of working men in plants and by plain citizens everywhere. Much of the magnificent nonsense that was circulated has been shown to be unworkable and has created the impasse in which we find ourselves. So I say change and ferment are in the air and it will take a great deal of skill on Nov. 5th next in manipulating the 2,600,000 civilians still on the Federal payroll to offset the consequences of the political change which is now under way. The change may not be as benefical as we would like to see it but the opportunity which comes with change is indeed a challenge.

The greatest problem facing us in the United States today is to be aware of the factors which made for American superior material wellbeing and which lifted American living standards far above the international average. There is a grave danger that we are unaware of the factors which created our affluence. We have been listening for too long to intellectual windbags without the capacity for understanding or for accurate statement. We have been very critical of Harry Truman in the last few weeks, and rightly so, but let's not overlook his good work—he did drive two of those windbags out of the Cabinet this year. Now people ask, "Who was

(Continued on page 2107)

*From address by Mr. Rukeyser before the Farm Equipment Institute, French Lick, Indiana, Sept. 30, 1946. Mr. Rukeyser delivered another address along the same lines before the Westminster Men's Forum at Steubenville, O., on Oct. 18, 1946.

Why Our Standard Of Living Is Highest

By ROBERT T. HASLAM*
Vice-President, Standard Oil Company (N. J).

Pointing to U. S. higher living standards, Mr. Haslam ascribed this to freedom of competition and to enterprise and not to superabundance of natural resources. Cites foreign cases where regimentation, government controls, cartels and vested interests hamper economic progress, and denies our competitive system is inequitable, wasteful, and "without rules." Lauds competition as putting a premium on efficiency which leads to low prices and high wages, and concludes to prohibit competitive business would restrict or eliminate other human liberties.

As soon as the war was over and the Government permitted American businessmen to go abroad, I began a period of traveling which, in the past ten months, has taken me to fifteen countries. I have visited a considerable number of cities both in Europe and in South America.

Robert T. Haslam

I traveled on business, to renew contacts with members of our organization from whom we had been wholly or partly cut off, to observe how badly the plants of our foreign affiliates had been damaged, to learn at first-hand conditions in the different countries, to see what could be done to make petroleum fuels available to peoples who badly need them, and to study post-war trends affecting markets.

Some of the countries I visited were familiar from previous travel. As an employee of an American company with worldwide interests, I am accustomed to wide diversities in laws, viewpoints, ways of doing business, and modes of living. But on these recent trips I was struck more forcibly than ever before by the great difference between our own country and other nations in the standard of living for the great mass of the people.

Of course, living standards in Europe have been affected by the war. But I recalled, upon visiting these countries again, that even in normal times the standards of most of them are separated by a great gulf from what we in the United States take almost for granted. As for the Latin American countries, though they too were affected by the world conflict, they did not experience the dislocations which occurred in the United States where millions of men were under arms and where so large a proportion of our wealth and energy were channeled into the making of weapons.

(Continued on page 2115)

*An address by Mr. Haslam before the Advertising Club of Washington, D. C., October 8, 1946.

Government In Business

By GEORGE V. McLAUGHLIN*
President, Brooklyn Trust Company

Brooklyn banker, pointing out government controls developed from abuses by private business in past, and were aimed at enforcing "rules of the game," contends at present government is actually running and competing with many businesses. Says intelligent government regulation of construction during war might have prevented much of housing shortage, and that price controls have been retained, while wage controls and rationing were discontinued, in order to please voters. Sees need of cost controls if price controls are successful and urges businessmen cease whining and take action to curb more controls fostered by pressure groups. Scores government competition with private enterprise.

Your President, Mr. Conner, tells me that your Executive Committee has made it very easy for me to speak to you today, by suggesting the topic, "Government in Business." For it is safe to say that in no peacetime period in this country's history has the government been in business to a greater extent than at present.

Geo. V. McLaughlin

In common with most businessmen, my own attitude on the subject is quite similar to that of Calvin Coolidge's minister, who preached a sermon about sin and was against it. "Government in Business" can mean either or both of two things: (a) Regulation or control of business and (b) Engaging in subsidized competition with private enterprise. Businessmen are practically unanimous in the opinion that there is too much of both, but merely expressing opinions without action is unlikely to accomplish anything.

Let us see how things got this way, and what, if anything, we can do about it. If all business-

(Continued on page 2118)

*An address by Mr. McLaughlin at the Bedford Branch, YMCA, Brooklyn, N. Y., Oct. 21, 1946.

Let's Wipe Out Economic Illiteracy

By ODY H. LAMBORN*
President, National Association of Commodity Exchanges and Allied Trades, Inc.

Asserting lack of understanding of economics by vast majority of citizens is a dangerous weakness that should be corrected, Mr. Lamborn advocates business men assume responsibility in enlightening the public. Contends there has been lack of competent teaching, and economic illiteracy has been fostered by demagogic politicians. Points to failure of an economy on a fixed price basis, and says nation is suffering from "economic hardening of the arteries." Lauds recent labor leaders' support of decontrols, but warns bureaucrats are still planning Utopias.

Ignorance may be bliss in some phases of our lives but in the field of economics ignorance is dangerous and can lead us to destruction.

If one carefully analyzes the matter, ignorance has been mankind's greatest enemy from time immemorial. Only as we have vanquished ignorance in any field by discovering the great truths have we been able to dispel the darkness and to create a better world.

Ody H. Lamborn

But I cannot emphasize too strongly that it is not enough for the scholars to acquire knowledge. They must teach the people. For until the man in the street understands, the information laboriously obtained by the learned cannot be fully utilized.

I need not remind you that the peace, comfort, and well-being of the people of the United States have had their origin in a healthy economy. The genesis of all revo-

(Continued on page 2096)

*An address by Mr. Lamborn before the Purchasing Agents Association, Cleveland, O., Oct. 17, 1946.

Sen. Byrd Criticizes Personnel Increase in Government

In published statement, Chairman of Congressional Committee on Nonessential Federal Expenditures, points out that although Army and Navy Departments have reduced personnel, other departments and agencies have taken on more employees.

Senator Harry Byrd (D., Va.), Chairman of the Joint Committee on Reduction of Nonessential Federal Expenditures, issued a statement on Oct. 16, in which he called attention to the continuous increases in personnel of "old line" departments and agencies of the Federal Government since V-J Day. The only exception to this trend, Senator Byrd stated, was the War and Navy Departments and the emergency war agencies. Though admitting that some additional personnel over the 1939 total is required, Senator Byrd contends that as result of the war, "we have a surplus personnel as well as surplus property for disposal," and indicated that Congress may be forced to make personnel reductions mandatory.

Harry F. Byrd

The text of Senator Byrd's statement follows:

"According to personnel reports submitted to the Joint Committee on Reduction of Non-essential Federal Expenditures by all executive departments and agencies for the month of Aug., 1946, for the twelfth successive month since V-J Day in Aug., 1945, reductions in the War and Navy Departments are being off-set in part by increases in the other agencies of the Federal Government. During the month of Aug. 1946, employment dropped from 2,711,165 in July to 2,612,259 in August, during which time the War and Navy Departments decreased 106,470 while the remainder of the government increased 7,554.

"Excluding the decrease of the War and Navy Departments and the emergency war agencies, analysis discloses that during the 12-month period following the cessation of hostilities in Aug. 1945, the old-line establishments have increased their personnel by 278,404 from 957,683 in Aug. 1945 to 1,236,087 in Aug. 1946. In addition, there are 54,328 employed by the postwar agencies concerned with reconversion which gives a total increase of 332,732 employees.

"In the 40 old-line departments and independent establishments 29 increased their personnel since

(Continued on page 2118)

Law or Anarchy!

By ALBERT E. BOWEN*
Director, Utah-Idaho Sugar Company
Director, Utah State National Bank
Salt Lake City

Prominent western attorney likens present methods of handling industrial disputes to barbaric system of punishing crime by resort to personal vengeance. Holds situation breeds lawlessness. Denounces labor picketing, violence and intimidation, and calls for men of stature and character in government, who will not succumb to lure of expediency. Sees freedom of religion at stake and threat of totalitarianism.

You all remember the accounts of earlier times when men took upon themselves the redress of their own grievances. If, for example, one killed a member of my family, I promptly went out and killed him or some member of his family. Then that family sought revenge against me or my family and so the course of reprisal and counter reprisal ran, growing into family and clan feuds. In like manner, if one took or damaged the property of another, the injured one sought, through his own means, to recover his goods or their equivalent or to visit punishment on his despoiler. It is easy to see that there could be neither stability nor security under such a system. An orderly, stable society of individuals could not exist under such conditions. It was intolerable. The remedy, perhaps the only remedy was to enact public laws applicable to all alike which defined the rights of individuals and provided remedies for the protection of those rights. A law defined murder and prescribed a penalty for him who committed it. Now if a murder was committed, it became not a private wrong against the murdered person to be avenged by his kindred, but rather an offense against the state which assumed the exclusive right to execute against the offender, the retribution of the law. The injured family may not always have been satisfied with results, but they had to learn to accept them. They no longer had a right to take punishment into their own hands and would themselves be subject to penalty if they did so. Similarly the law forbade theft and fixed the consequences for its violation. So if one's property were stolen, he did not seek by violence to recover it or to punish the offender. The state took care of that through its own processes. These more serious wrongs were called crimes punishable by the state, not for restitution to the injured person, but for the preservation of public order. Other less serious trespasses were still recognized as offenses for the commission of which the injured one might seek recompense to himself. But this remedy was through the processes established by law and not by physical force or violence administered by himself. Thus, for example, if one wrongfully entered upon or occupied the land or dwelling of another, the owner would file his complaint with the court. In orderly manner the cause would be heard and determined and then the officers of the law would remove the trespasser, instead of the owner's seeking by violence to do that for himself.

The finding of the judicial tribunal set up by the law ultimately became final and the parties in dispute had to abide by it. Thus punishment of grievances, or protection of person and property, were taken out of the realm of

(Continued on page 2097)

*An address by Mr. Bowen before the General Conference of the Mormon Church in Salt Lake City, Utah, Oct. 4, 1946.

Public Utility Securities

American Power & Light

American Power & Light, one of the more volatile holding company stocks, advanced from 2⅝ last year to this year's high of 22½, then dropped in the recent market break to 10⅛ and is now around 13. Earnings for the 12 months ended Aug. 31 were $5.25 a share compared with $1.37 last year but, of course, this does not take into account the large arrears on the preferred stocks. Several lengthy studies on the company have been issued by Wall Street houses this year with estimates of potential future break-up value ranging from 10 to 60—the average estimate being perhaps around 40. These estimates were, of course, based largely on the application of assumed price-earnings ratios to the subsidiary earnings. Due to the high leverage resulting from the large issues of preferred stocks and their heavy arrears, application of price-earnings ratios varying from 10 to 16 might produce liquidating values ranging roughly from 10 to 60.

Earlier in the year it was assumed that ratios of from 13 to 16 could be applied to AP's subsidiaries. But the disappointing market reception accorded a number of the new utility stock offerings such as Columbus & Southern Ohio Electric, Cincinnati Gas & Electric, etc., combined with the market, have made it seem necessary to shorten the market yardstick applied to the AP companies, as well as to other holding company subsidiaries of similar caliber.

In the meantime, the company on Sept. 4 filed its detailed plan for the retirement of the preferred stocks, through voluntary exchange or subsequently for cash. American Power & Light $6 preferred is callable at 115 and has dividend accumulations of $43.57 (it is paying the regular rate this year so that arrears should remain fixed at this figure). Under the plan it is proposed to "evaluate" the stock at $150, as compared with $158.57 redemption price plus arrears. Similarly, the $5 preferred is evaluated at $137 compared with redemption price and arrears of $146.31. In other words, the company is willing to pay par plus arrears plus about 42% of the redemption premium in the case of the $6 stock. In the case of the $5 issue, it will pay only about 70¢ toward the $10 redemption premium. It is not quite clear why the $6 preferred gets this "break" except that it has a higher redemption price.

The method of carrying out the retirement program is somewhat involved. If and when the SEC and the Federal court approve the plan, American Power will offer for sale at competitive bidding 15% of its holdings of common stock of Florida Power & Light, Kansas Gas & Electric, Minnesota Power & Light, Montana Power and Texas Utilities. However, there is no exact time schedule for these offerings. It seems unlikely that Commission and court approval will be obtained before next spring and the company reserves the right (subject to SEC approval) to defer making the offerings if market and business conditions are unfavorable at that time.

After the sales are effected the prices received by the company plus 5% of such prices (as an allowance to cover the distribution spread between the successful bid price and the later public offering price) will furnish the yardstick for the exchange offer. However, the plan remains quite flexible and if the remaining common stocks (about 85% for each of the five companies) exceed the preferred stock claims (based on the "evaluation" figures named above) then the shares of Minnesota Power & Light will be withdrawn, next Kansas Gas & Electric and finally (if necessary) Montana Power. The stocks making up the "package" are to be divided into two portions applicable to the two preferred stocks, being allocated rateably to each exchange unit — a unit being roughly equal to the claim of $6 or $5 preferred stock. Any small adjustment will be made in cash and accrued current dividend would also be adjusted in cash.

The exchange offer may be made effective by American Power in its discretion after 65% of the total preferred stock (as measured by the dollar amount of claims) has been deposited (deposits need not be made until notice of the exchange offer is given), but if less than 50% of the claim is deposited the plan cannot be accepted without the consent of the parent company, Electric Bond & Share. Eventually, those who do not accept the exchange offer would (if the plan is consummated) have their stock retired by cash payments at $150 and $137, respectively, for the $6 and $5 stocks. Electric Bond & Share will sell (not later than a year after the shares are received by) any stocks received under the exchange offer.

The plan is similar to the program adopted by Commonwealth & Southern and already put partially into effect by sale of Ohio Edison (an offering of Consumers Power has been twice postponed but is now being reconsidered, according to press reports). Commonwealth will use these market prices (together with that of the new southern holding company after the latter is offered to the public) to retire its preferred stock.

This method of retiring senior securities is a recent development and may become standard practice if market conditions permit. It avoids some of the difficulties inherent in attempting to assign theoretical values to operating company stocks in order to effect exchanges.

Bank of The Manhattan Co. Appoints Two

F. Abbott Goodhue, President of the Bank of the Manhattan Company, New York City, has announced that Lawrence Clark Marshall will join the Bank as a Vice-President on Nov. 1. Frederick Sheffield, a member of the law firm of Webster & Garside, has been elected a member of the Board of Directors of the Bank.

L. C. Marshall

Frederick Sheffield

Mr. Marshall, who resides in Madison, New Jersey, is a graduate of East Orange High School and attended Dartmouth College. From 1925 to 1928 he was employed in the Foreign and Credit Departments of the American Exchange National Bank, which later merged with the Irving Trust Company. From 1928 to 1934 he was manager of the Research Department of C. D. Halsey & Co., former members of the New York Stock Exchange. In 1934 he joined the Investment Department of the United States Trust Company. In 1943 he was elected an Assistant Vice-President and placed in charge of its Banking Department. Mr. Marshall is a Trustee, Treasurer and Chairman of the Finance Committee of the American University of Beirut, Lebanon and is Vice-Chairman of the New York University-Bellevue Hospital Campaign.

Mr. Sheffield is a member of the Association of the Bar of the City of New York and the American Bar Association. He is a Director of F. A. O. Schwarz, a Trustee of the Trudeau Sanitorium, of the New York School of Social Work and the Community Service Society and a member of the Board of Managers of St. Luke's Hospital.

Coles in Rochester

ROCHESTER, N. Y.—Howard W. Coles is engaging in a securities business from offices at 446 Clarissa Street.

"No Grounds For Further Stock Liquidation"

By EDSON GOULD*

Asserting our regimented economy is being liquidated, Mr. Gould holds we have probably witnessed lows in average stock prices this year. Lays recent break to roll-backs of OPA which caused uncertainties and fluctuating profits. Holds tightening of monetary controls brought change in long-term interest rates and was cause of bank liquidation of securities. Contends present market prices appear well adjusted to changes that have occurred, but cautions elimination of controls will not bring profitable operations to all industries. Says higher prices are likely, and gives list of stocks offering good value.

We are witnessing the liquidation of the regimented economy and it is good news for all of America. It is especially favorable for the longer term earnings outlook for American corporations and for the level of stock prices.

Edson B. Gould

The process is far from smooth; its violence is the natural result of great pressures built up over a long period of time. The substantial readjustment of stock prices, the increase in money rates and the beginnings of the decline in agricultural prices are parts of the process. More adjustments lie ahead, but the current level of stock prices appears to discount to a considerable extent the uncertainties in store.

The probability is that we have witnessed the lows for this year, and that successive good news in the form of a favorable election, an ICC rate decision and favorable tax and labor legislation after the turn of the year (all distinct possibilities) may carry stock prices upward well into the first quarter of 1947.

We will almost certainly have more labor disturbances early next year when contracts expire, but it by no means follows that major labor difficulties will ensue or that production will be interrupted to the degree that it was this year. It is pertinent to recall that it was not labor difficulties that broke the market in September. Stock prices held up during the second quarter labor disturbances. Rather was it governmental policies and controls.

Fluctuating Profit Margins

When the war ended in the summer of 1945 it was soon apparent that the rapid decline in costs with elimination of wasteful wartime practices and release of inefficient help greatly improved the profit outlook and the

(Continued on page 2117)

*Mr. Gould is a member of the research staff of Smith, Barney & Co., but the views and opinions expressed by him are not necessarily those of the firm.

Underwriters Take Exception to J. Arthur Warner Trying to Pin Market Slump on Them

Charge that J. Arthur Warner, President of J. Arthur Warner & Co., Inc., New York City, was off the beam in his recent speech before New York Security Dealers Association, in which he accused underwriters of causing current decline in stock market prices by dishonest dealing with the investing public.

Asked for comment by the "Chronicle," many underwriters expressed resentment, to say the least, at the charges made by J. Arthur Warner, President of J. Arthur Warner & Co., Inc., New York City, in a talk before the New York Security Dealers Association two weeks ago when he placed responsibility for the current decline in stock market prices upon the underwriting fraternity.

Last week, the "Chronicle" printed a resume of Mr. Warner's allegations. It was not the first report of Mr. Warner's speech but it was printed in our columns so that all would know what Mr. Warner's views were on the subject. It will be recalled that he gave it as his opinion that the primary cause of the decline in security values over the last few months was the "plethora" of new security offerings, many of which, he intimated, should never have been placed on the market.

He made the charge, too, as it was pointed out in the story last week, that "underwriting and pricing a security resolves itself in many cases into a form of conspiracy between the underwriter and corporation." He stated further that a reservoir of investment money was in the hands of the public and that it would be to the considerable benefit of the economy of the country and to the price structure of the securities markets if these funds "could be denied the dubious privilege of investing in new unproven, and in some cases, disgraceful public offerings from the standpoint of the value received for the dollar invested."

Under the present Securities Acts, he said, any firm with a broker-dealer registration may elect to act as an underwriter, regardless of his qualifications or moral responsibility to the potential buyer of the security that he may offer, insofar as that security is priced to the public. Expressing it as his opinion that the matter of underwriting and pricing of a security resolves itself in many cases into a form of conspiracy between the underwriter and the corporation, Mr. Warner pointed out that the corporation, its cupidity aroused by the existence of an extremely favorable capital market has, in many cases, formed or expanded for the sole purpose of securing other people's money for the benefit of the officers and promoters of the corporation to the exclusion of the public interest, except that if the business happens to prosper, the stockholders will become the incidental beneficiaries.

"As we know," he stated, "the corporation then finds a registered broker-dealer who, as I said before, may be without the requisite qualifications that should be incumbent upon him both in his responsibility to the investing fraternity, and to the public, and then together, these two, the corporation and the underwriter,

(Continued on page 2119)

Financing Foreign Trade

By WILBERT WARD*

Vice-President, National City Bank of New York

Foreign trade expert points out that when conditions have been proper there never was a problem in foreign trade financing. Says present export-import situation creates a distortion in our trade balance and points to need of granting foreign credits. Says exports when paid for by our investors and taxpayers will not benefit people until, as a nation, we can receive from others equivalent products and services. Scores "do-gooders" in our government who propose heavy loans to foreign nations, and expresses belief that loans will be extended only to those countries in which favorable conditions for production exist.

The financing of our foreign traders—of our exporters and importers—has never been a problem. In the field of financing the movement of goods on normal credit terms, we have never, even in flush times, fully employed the credit facilities made available by our commercial banks. It should not be forgotten that the power of the member banks of the United States to finance by the use of their acceptance power, alone, without recourse to their loanable funds, the importation or exportation of goods between foreign countries as well as into and out of our own country, exceeds $5 billion. The volume of trade financed by bank acceptances reached a peak of $1 billion in 1920, fluctuated between $400 million and $700 million until 1927, resumed its upward climb to touch the old high of $1 billion in 1928, and to pass it by reaching an all-time high of $1,700 million at the end of 1929.

Wilbert Ward

Presently, this power now lies mostly fallow. Dollar acceptances outstanding amounted to but $206 million at the end of August, and were largely employed in financing imports, including coffee, cocoa, silver concentrates, silk, rubber, nuts, bristles and fur skins. One reason for the small employ-

(Continued on page 2111)

*An address by Mr. Ward before the American Merchant Marine Conference, New York City, Oct. 18, 1946.

International Organizations Fostering Foreign Trade

By LEWIS L. LORWIN*

Economic Adviser, Office of International Trade

Administration's foreign trade expert stresses need for international cooperation if commercial relations between nations is to be restored and fostered. Describes various international organizations that have been set up under U. S. leadership and asserts U. S. has much to gain from work of each. Lauds Bretton Woods institutions and predicts World Bank will float bulk of its loans in U. S. Holds proposed International Trade Organization will go far toward removing barriers to trade and toward increasing the commerce and shipping of the world.

I have just returned from a 10-week visit to Europe which took me to Frankfurt, Berlin, Moscow, Warsaw, Prague, Paris, Brussels and London. I have seen the dismal destruction of war in Germany and Poland—the endless blocks of roofless and windowless ruins that were once splendid living places, the twisted and tortured steel frames hanging in mid-air which were once busy railroad stations, the gaping holes in shattered walls which were once stores full of useful goods, the heaps of rubble where once there were beautiful streets and avenues. I have seen also the human wreckage of the war-drab and battered men, women and children trying to live amidst the ruins, seeking a corner wherever there is some protection from the elements and trying to fix up whatever they can so that life may go on.

Lewis L. Lorwin

Even where there has been little physical destruction, as in Paris, Brussels or Prague, there are the economic and social dislocations due to the war. I have seen in such places the lack of food and the shortages of goods whereby men live, the deterioration in the quality of goods where there was once pride of craftsmanship, the factories unable to run because they have no coal, the incredible overcrowding in the homes, the black markets which

(Continued on page 2104)

*An address by Dr. Lorwin before the American Merchant Marine Conference, New York City, Oct. 18, 1946.

Banigan & Fowler to Be Partners in Cohu

On Nov. 1, William J. Banigan and John B. Fowler, Jr., will become partners in Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange. Both were partners in W. J. Banigan & Co.

John S. Hutchinson who was also a partner in W. J. Banigan & Co. will be associated with Cohu & Torrey.

With Maxwell, Marshall

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Ernest C. Schlutsmeyer has become associated with Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Schlutsmeyer was formerly with Wyeth & Co. and E. H. Rollins & Sons, Inc.

Italy's Future Import Requirements

By ANTONIO GIORDANO

Economist estimates 1947 needs at $1,258,000,000 total. Italian industry requires 15 million tons of coal, of which 6 million should come from U. S. Enormous home output of rayon delayed by lack of chemicals. Textile materials are in excess. Fulfillment of Italy's import requirements will depend on foreign trade policy in lieu of country's economic situation.

MILAN, ITALY—In connection with the Italian future import requirements, it is interesting to note that, according to the latest information secured from Italian official quarters, such requirements for 1947 may be estimated as far as foodstuff needs, industrial, agricultural and transport activities are concerned, at $1,258 million, in which figure is included also the amount of the cost of transport estimated at $230 million. Among the requirements forecasted by the Italian Government may be mentioned 11,700,000 tons of coal, 2,900,000 tons of oil and petroleum products, 600,000 tons of iron and steel and 86,000 tons of non-ferrous products. The chemical industry should import 83,000 tons of raw materials, the pharmaceutical industry 25,000 tons, the lumber industry 3,031,000 tons, the textile industries 205,000 tons of cotton, 60,000 tons of wool and 61,000 tons of jute and other fibres, while the rubber industry should require 33,000 tons, the leather industry 72,000 tons, the oilseed refining industry 170,000 tons, the foodstuff industry 13,000 tons, and this in addition to 50,000 tons of machinery and apparatus necessary for the reconstruction of the various branches of the industry. The requirements of agriculture have been estimated to a total value of $412 million, and include, in addition to fertilizers,

(Continued on page 2109)

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Banks and Trust Companies of New York—58th consecutive quarterly comparison of leading New York banks and trust companies—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Comparative Condensed Statements of the Dominion of Canada and Provinces—Twelfth annual edition—A. E. Ames & Co., Inc., 2 Wall Street, New York 5, N. Y.

Cuban Sugar Stocks—Study of situation and outlook—Lewisohn & Co., 61 Broadway, New York 6, N. Y.

Investor's Tax Kit for 1946—Includes a tax manual explaining current tax laws, with particular reference to their effect on security holders and also enclosed is a list of suggested exchanges to establish tax losses, and a handy chart for determining application of capital gains and losses—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Also available is a bulletin on **United Aircraft Corp.**

Long Term Forecast—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y. Also available are the following: **Election Day; Executives Tell Us That; The Commercial Shearing and Stamping Co.; Barcalo Manufacturing Co.; John Doe Letter; American Phenolic Corp.; General Machinery Corp.; Golden Crown Mining Co.; Silver Creek Precision Corp.; Plastics Materials Corp.; Higgins, Inc.; Highlights of Wall Street.**

Natural Resource Industries—Study of the strategic position occupied by these industries—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

New York City Banks—Comparison and analysis of 19 New York City banks for the third quarter of 1946—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Operating Public Utilities—Comprehensive comparison of 127 common stocks—Ames, Emerich & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Operating Utility Common Stocks—A list of several issues appearing attractive at current levels—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the **Fortnightly Investment Letter** with data on various interesting situations.

Abitibi Power & Paper Co.—Circular—Ernst & Co., 120 Broadway, New York 5, N. Y.

American Insulator—Memorandum—Peter Barken, 32 Broadway, New York 4, N. Y.

American Telephone & Telegraph—Discussion of the coming A. T. & T. financing—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Also available is a memorandum on **South Carolina Electric & Gas Co.** and a review of **J. C. Penney Company.**

Argo Oil Corp.—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products** and **Wellman Engineering.**

Aspinook Corporation—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber;** and **Taylor Wharton Iron & Steel; Barcalo; Haloid; American Window Glass; Purolator Products; Upson Corp.; Alabama Mills.**

Automatic Fire Alarm—Analysis—Mitchell & Co., 120 Broadway, New York 5, N. Y.

Bausch & Lomb Optical Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Birmingham Electric Co.—Analysis — The First Boston Corp., 100 Broadway, New York 5, N. Y.

Central Public Utility 5½s of '52 and Consolidated Electric and Gas Pfd. — Comprehensive study and analysis in brochure form—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Chefford Master — Analytical report — Peltason, Tenenbaum Co., Landreth Building, St. Louis 2, Mo.

Columbia Gas & Electric—Study of the situation—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Columbia Gas & Electric Corp.—Analysis — L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

Connecticut Railway & Lighting Co. — Circular — Adams & Peck, 63 Wall Street, New York 5, N. Y.

Decker Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Hydraulic Press Manufacturing Co.; Long Bell Lumber Co.,** and **Miller Manufacturing Co.**

Denver & Rio Grande Western Railroad Co.—Discussion of interesting possibilities—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on **St. Louis-San Francisco.**

Eastern Corp.—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **South Carolina Electric & Gas** and **Merchants Distilling Corp.**

Federal Machine and Welder Co.—Study of prewar position, war effort, and postwar development—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

General Manifold & Printing Co.—Bulletin—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

Greyhound Corporation—Circular—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available are memoranda on **The Chicago Corp.** and **The-Muter-Co.**

Gulf, Mobile & Ohio Railroad—Analysis—R. H. Johnson & Co., 64 Wall Street, New York 5, N. Y.

Indiana Steel Products Co. — Memorandum on interesting situation — Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available is a circular on **Queen Anne Candy Co.**

International Resistance Co.—Memorandum—Newburger & Hano, 61 Broadway, New York 6, N. Y.

MacFadden Publications — Circular—C. E. de Willers & Co., 120 Broadway, New York 5, N. Y.

Nathan Straus-Duparquet, Inc.—Bulletin—Luckhurst & Co., Inc., 40 Exchange Place, New York 5, N. Y.

New England Public Service Co. — Appraisal of values — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Ohio-Apex, Inc.—Circular—Doolittle, Schoellkopf & Co., Liberty Bank Bldg., Buffalo 2, N. Y.

Osgood Company—Special report—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available is a late report on **Wellman Engineering Co.**

Parker Appliance Co.—Descriptive analysis—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Pettibone Mulliken Corp.—Bulletin—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Fred B. Prophet Company—Detailed memorandum—De Young Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Rockwell Manufacturing Co.—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

San Mauricio and **United Paracale** — A comparison—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care o Schenley Distillers Corporation 350 Fifth Avenue, New York 1 N. Y.

Serrick Corp. — Analysis — Sills, Minton & Co., Inc., 209 South La Salle Street.

Sheller Manufacturing Corp. — Recent report—**Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Standard Stoker Co.—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch Co.** and **South Carolina Electric & Gas.**

Telecoin Corp.—Analysis—William S. Baren Co., 42 Broadway, New York 4, N. Y.

Universal Zonolite Insulation — Analysis — Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Also available is a circular on **Chicago Hardware Foundry Co.**

Vacuum Concrete Corp.—Detailed analysis—Ward & Co., 120 Broadway, New York 5, N. Y.

Yuba Consolidated Gold Fields—Summary and analysis—Shuman, Agnew & Co., 300 Montgomery Street, San Francisco 4, Calif.

Lawrence H. Marks Dead

Lawrence H. Marks, in the investment banking business for more than 30 years until his retirement in 1939, died at his home after an illness of several months. He was 69 years of age.

Mr. Marks came to New York shortly after the turn of the century to begin his career with the firm of William Salomon. Later he became a partner in the brokerage firm of L. F. Rothschild & Co., where he organized a bond department.

Brady & Garvin Admit

Brady & Garvin, 115 Broadway, New York City, members of the New York Curb Exchange, have admitted William J. Gerety to partnership in the firm.

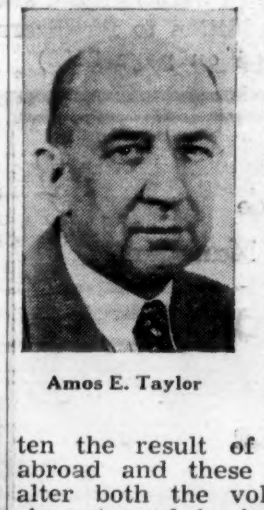
Current Trends in International Transactions

By AMOS E. TAYLOR*

Director, Office of Business Economics, Department of Commerce

Commerce Department official contends that despite relatively small part international transactions play in our total commerce, the nature and course of our foreign trade warrants particular attention at present time. Points out government shipments abroad are declining rapidly and both exports and imports will be greatly influenced by economic conditions at home and abroad. Sees need for larger international capital and credit transactions to bring about an equitable balance of payments and to avoid draining outside world of its resources. Sees hope for American shipping.

The volume and nature of a nation's international transactions reflect many of the basic elements of that nation's vitality and economic stability. The impact of world developments upon the national economy may strongly influence the conditions under which international dealings with the rest of the world are carried forward. Changes in national trade policy are often the result of developments abroad and these may in turn alter both the volume and the character of business conducted with other nations. At the same time, developments arising from purely domestic causes may produce shifts in the channels of trade which will in turn alter the methods of balancing the international accounts. A nation, dependent upon international trade or upon shipping for a substantial part of its national income or for the maintenance of an established standard of living, is likely to react sensitively to developments abroad.



Amos E. Taylor

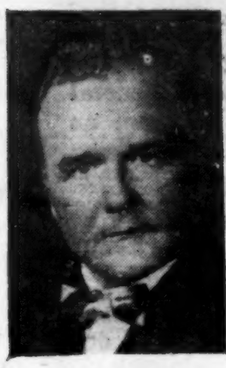
The United States, wielding an unprecedented balance of economic power at the conclusion of World War II, is certain to have its policies and decisions reflected in the composite statement of its international accounts. Even though this country normally exports only a relatively small part of its total output it is the world's greatest exporter. Despite the fact that United States imports are a very small fraction of the total volume of goods utilized for consumption or for serving the processes of production this country is the second largest importer in the world. The nature and course of our trade with other nations as we are passing from wartime to a peacetime economy thus warrant particular attention at this time. The interdependence of the foreign trader's interest and that of the shipper places the

(Continued on page 2105)

* An address by Mr. Taylor before the American Merchant Marine Conference, New York City, Oct. 17, 1946.

NSTA Notes

NSTA LEGISLATION COMMITTEE


Thomas Graham

The National Security Traders Association will shortly appoint a special committee to analyze the legislation proposed by the Securities and Exchange Commission requesting additional information on unlisted companies, according to Thomas Graham, The Bankers Bond Company, President of the NSTA, in a letter to Robert McConnaughey, a commissioner of the SEC.

The committee, Mr. Graham declared, will be instructed "to take a thorough look and to study very carefully what constitutes appropriateness for listing and also to study very carefully the matter of the removal of unlisted privileges on all exchanges."

THE FEMININE VIEW POINT OF THE NSTA CONVENTION

Souvenirs! Yes, we brought home all we could carry, and they are nice to have. But we wish we had been able to bring home a few of these special qualities and characteristics we noted in our fellow-travelers:

The cute southern accent of Mrs. George McCleary of St. Petersburg.

The good sportsmanship of Mrs. Robert Erb of Cleveland.

The unfailing poise of Mrs. Bob McConnaughey of Philadelphia.

The ability in cuisine and the culinary art of Mr. Dyke of the Santa Fe Railroad.

The unerring graciousness of Mrs. G. W. Hyett of the Milwaukee Road.

The good grooming of Mrs. Thomas Montgomery of Chicago.

The stunning wardrobe of Mrs. E. E. Parsons, Jr. of Cleveland.

The ability at bridge of Mrs. Star Koerner of Chicago.

The vivacity of Mrs. Jack Morris of Atlanta.

The musical talent of Mrs. Richard Walsh of St. Louis.

The adlibbing ability of Ed Kelly of New York.

The peerless charm of Mrs. Ed Beck of New York.

A dancing partner like William Koeth of Cleveland.

The amiability of Mrs. C. J. Newpart of Chicago.

The reflected glory Mrs. Ed Welch must feel because her husband was responsible for our having a perfect trip all the way!

There were many more such treasures aboard, and those mentioned were duplicated by others. We shall hope to bring home more of these from Boston instead of just souvenirs.

One of the femmes who went along.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN, INC.


H. Terry Snowday


Harold R. Chapel

The annual Fall Dinner of the Securities Traders Association of Detroit and Michigan, Inc. will be held on Nov. 8 in the Penobscot Club, Detroit.

Harold R. Chapel, president of the Association, announced that H. Terry Snowday of E. H. Rollins & Sons, Inc., is Chairman of the committee in charge.

Following the dinner, members will be entertained by moving pictures of the Michigan-Army football game. It is expected that several of the officers and members of other cities will attend.

Mravlag Now with L. F. Rothschild & Co.

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Paul V. Mravlag is now associated with them in their Institutional Department.

Mr. Mravlag in the past was a partner in W. W. Lanahan & Co.

Leven Brothers in N. Y. C.

David Don Leven has opened offices of 710 Lexington Avenue, New York City, to engage in the securities business under the firm name of Leven Brothers.

D. A. Pincus & Co.

Clayton Snyder, member of the New York Stock Exchange, will retire from partnership in D. A. Pincus & Co. on Oct. 31.

Is British Export Drive Overdone?

By PAUL EINZIG

Asserting British export boom in face of home shortages has hampered reconversion progress, Dr. Einzig contends emphasis placed by the Labor Government and by British industrialists is resulting in selling goods abroad at bargain prices. Says situation is due to efforts of manufacturers to please Government so as to avoid intervention. Holds export drive is grossly "overdone" and is a short-sighted policy.

LONDON, ENG.—There can be no doubt that export trade is the one sphere in which the Labor Government has done better than it was expected to do. The coal situation is critical. The housing situation is most unsatisfactory. The food situation leaves much to be desired. The progress of industrial reconversion is slow. Cheap money policy seems to have reached its limit. Wages and prices are still rising. On the other hand, export trade is surpassing even the most optimistic anticipations.


Paul Einzig

It is not as if workmen engaged in export trade worked harder than other workmen. They did not respond to the government's appeal for an increase of exports any more than coal miners or building workers did. It is the industrialists and merchants engaged in export trade who responded. It is they who are diverting a very high proportion of the far from adequate industrial output from the starving home markets to the equally receptive overseas markets.

This is a paradoxical situation. The working classes which brought in the Labor Government last year are letting down their government. Fuel Minister Shinwell's appeals to the miners are ignored; every horse racing event means an increase of absenteeism and a drop in the coal output. Building workers are working at a snail-like pace, in spite of the catastrophal housing shortage. They are their government's worst enemies.

On the other hand, business ment who have every reason for

(Continued on page 2109)

Ohman's Farewell Message to Chicago Stock Brokers' Associates

Retiring President of organization tells fellow members they should work for removal of Reserve prohibition against margin trading.

E. William Ohman, retiring president of the Stock Brokers' Associates of Chicago, in his farewell message to the membership expressed gratification at confidence and prestige gained by the organization and recommended the formation of a national organization, with local chapters in the principal cities.


E. William Ohman

"An outstanding recognition of the work of our organization came to us this year from the Chicago Stock Exchange in the naming of your president to serve on their Board of Governors in an advisory capacity," Mr. Ohman said. Continuing, he states that "While the officers of our Chicago Stock Exchange are indeed friends of our organization in every sense, I venture to say this move was not intended primarily as a gesture of friendship but was a hard-headed business decision on their part in the interest of the Exchange itself and the Security Business in general.

"We, as a group, have thus had the door opened to us to offer our help in shaping of over-all policies, giving voice to the producer's viewpoint, and also have the privilege of watching developments and trends intimately. This sort of close contact and vigilance I conceive to be the primary business of our organization.

"Along this line you will be interested to know that we sent a telegram to the Federal Reserve Board in Washington on Sept. 24 declaring our belief that existing thin markets resulted from Federal Reserve credit controls now in effect. We called attention again to the Resolution we transmitted to them in October of last year in which we protested against these regulations and suggested that a prompt announcement from the Board now, permitting trading on a 50% credit basis would restore confidence of the whole business community and would avoid unwarranted and unduly rapid price declines resulting from thin markets. This wire was read to the Governors of the Chicago Stock Exchange at one of their meetings and copies were sent to Mr. Schram of the New York Stock Exchange and to the Association of Customers Brokers in New York.

"Looking into the future it seems almost too obvious to mention that the need for organization and concerted action by the men and women in our profession is growing from year to year. Equally obvious is the need to have every producer consider it at once a duty and a privilege to become a member of our organization so that we can speak and act with the added authority of full representation. Two major pieces of work which stand out in my mind, and to which I hope the incoming administration and succeeding administrations will devote ever-increasing attention are:

"1. Building a national organization of Registered Representatives, with local chapters in principal cities. I feel strongly that the need for such a nation-wide organization has already become insistent and I am sure we would all like to see it originate right from our own group.

"2. We need to attract young men and women of high grade to our profession. Consequently I believe we ought to give a great deal of attention to making such changes in our business as may be required to accomplish the desired result and to this end work with committees from other organizations affected. Our business can neither grow nor survive if we do not maintain high standards of ethics and business conduct, and I am convinced our best insurance in this direction will be the continuing infusion of new blood of high quality into our ranks. We must make our profession attractive as a life-time job."

Ohio Brevities

An investment group headed by McDonald & Co. of Cleveland and Northern Trust Co. of Chicago, offered $1,600,000 of 1½% school district bonds of the City of Lakewood, residential suburb of Cleveland, and soon after the offering reported that it was 85% sold. The group won the issue on a bid of 100.628.

Proceeds will be used for additional construction and improvement of school property. The bonds were reoffered at prices to yield 0.70% to 1.50% to maturity. They mature serially at $80,000 annually from 1948 to 1967.

Other members of the group were National City Bank of Cleveland, Fahey, Clark & Co. and Merrill-Turben & Co. and Braun, Bosworth & Co., the last of Toledo.

* * *

Greif Bros. Cooperage Corp. stockholders have voted a four-for-one split of both Class A and B stocks, boosting the authorized A shares to 400,000 and B stock to 216,000.

Following the split the A shares will receive dividends of 80 cents and Class B will be entitled, under certain conditions, to non-cumulative dividends up to 40 cents.

* * *

A Halsey, Stuart-Otis & Co. group was successful bidder for $2,740,000 equipment trust certificates of the Western Maryland Railway Co. on a bid of 99.279 for 1¾s. Harris, Hall & Co. bid 99.154 for 1¾s and Blair & Co. 99.766937 for 1⅞s. The issue was priced to yield 1.10% to 2%. They mature from Nov. 15, 1947 to 1956 inclusive.

* * *

A total of $625,000 of Firestone Tire & Rubber Co. 20-year 3% debentures, due May 1, 1961, are being redeemed on the first of the month. The bonds are being selected by lot and should be presented to the Cleveland Trust Co. or J. P. Morgan & Co. Incorporated, New York.

* * *

Splitting of common stock and changing of par value was approved by Faultless Rubber Co. stockholders. Present common has been split two for one and par value now is $1. It formerly was no par.

Wallace De Laney was elected chairman of the board and President and T. W. Miller, Jr., First Vice-President; George A. Meiler, Secretary-Treasurer, Z. T. Wile, Assistant Treasurer and R. C. Johnson, Assistant Secretary.

* * *

Cleveland Transit Board authorized the purchase of $1,800,000 of its bonds from the city sinking fund commission, the board now holding $4,300,000 of its bonds compared with $1,700,000 held by the public and $600,000 by the city treasury investment fund. The transit board operates the municipally-owned street railway. The bonds bear an interest rate of 1½%.

* * *

Clarence M. Taylor, with the Lincoln Electric Co. of Cleveland for 30 years, has been elected Executive Vice-President of the company, James F. Lincoln, President announced.

Taylor, who served with the Air Corps in the first World War, was appointed Vice-President in charge of sales in 1928 and has been a director since 1927.

* * *

A. F. McDougald, for several years superintendent of equipment for the Captial Transit Co., Washington, D. C., has been appointed motor coach sales manager of the White Motor Co.

He will have his offices in Cleveland. He formerly was chairman of the American Transit Association's bus advisory committee.

* * *

A total of 21 of the 32 school taxing districts in Cuyahoga County (Cleveland) will seek voters' approval on Nov. 5 of tax levies and bond issues running into the millions of dollars.

Various members of the school boards, school officials and teachers have pointed out the need for new equipment and that heavy enrollment is pressing facilities. Furthermore, teachers are being forced to seek other better paying positions because of increased living costs.

The majority of the issues are in the 2 and 3-mill class, with others ranging from 1 to 8 mills.

Tressel With Merrill Lynch In Cleveland Office

CLEVELAND, OHIO—John J. Tressel, manager of the Cleveland office of Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, N. E., announced Thomas B. Ross has been assigned to the Cleveland office as account executive.

For the past six months he took the company's intensive training course in important phases of the securities and commodities business.

Contrasts Within Europe

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

Correspondent contrasts Swiss "Fairyland" with the remainder of the ruined and exhausted Continent. Reports an abundance of clothing and food. Air travel schedules are highly uncertain, requiring great flexibility.

ZURICH, SWITZERLAND—Being suddenly deposited in the heart of Zurich by bus from the airport, the traveled from central Europe has the feeling of being a character in a fairy tale. Can such a place as Switzerland still exist on this exhausted continent? Did it really ever exist? It seems unbelievable, almost, to one coming from weeks in Germany, Austria and Czechoslovakia. For here in Zurich are no ruins at all, but nice, new-looking buildings! The streetcars, shiny in their toy-blue paint, have glass windows instead of boards where windows should be; and no passengers cling to the outside steps! The motorcars purr unconcernedly by, and no crowds gather in the streets to admire a new Chrysler! Nor are there any jeeps, *mirabile dictu;* nor any foreign troops!

Herbert M. Bratter

The coins are of silver! And in bank windows one can see handset digits of gold; the latest quotations of stocks and bonds in New York, London, Paris, and Zurich. Only the Berlin Stock Exchange board stands blank.

From the lake's shore in the early evening one looks on an illuminated city, with many colored neon signs, pleasantly glowing their messages of welcome! To walk down the broad Bahnhoff Strasse, with its brightly lit street lamps, is like walking down Fifth Avenue. On each side are rows of shop-windows tastefully displaying Oriental rugs, fur coats, watches, opera glasses, cameras, clothing of all sorts, electric razors and shiny safety razors, shoes, bananas, chocolates — what you will! The prices are not always cheap in American eyes — for Switzerland perhaps alone among the nations looks down its nose at the American dollar — but the goods are here, not merely on display, but for sale!

And so with food. There are ration coupons, to be sure, but one eats very well indeed and in prewar style. Such is the contrast with the ruins of German cities and Vienna.

That I am in Switzerland today is not by plan, but one of those fortuities which require of today's traveller in Europe either much

(Continued on page 2113)

Only a Republican Congress Can Check Inflation

By HON. ROBERT A. TAFT*

U. S. Senator from Ohio

Asserting only a Republican Congress can frame an affirmative program within American principles of liberty and justice, Senator Taft ascribes present price situation to President Truman's economic policies. Says inflation has been encouraged by Administration's liberal spending policies and that resulting tax burden is grossly excessive on all classes. Favors a reduction in Federal budget to $25 billions, and attacks foreign lending program as creating an artificial export business and forcing prices up. Likens present situation to conditions after World War I.

It has been a real pleasure for me to come to Decatur and urge the importance of electing a Republican Congress this year. I cannot over-emphasize the importance of such an election. While we have been able to block somewhat the steady trend of the Administration towards the complete regulation of the American home and the American farm, it has been a hard battle because the Administration has control of the organization of Congress. They form the committees and appoint the chairmen. They frame the measures and determine the time when they will be presented to Congress. While we sometimes have the assistance of Democrats who believe in American principles, their support is uncertain and wavering. Only a Republican Congress can frame an affirmative program within American principles of liberty and equal justice. Only a Republican Congress can frame a definite plan for reducing expenditures and then reducing taxes. Only a Republican Congress can undertake a real investigation of the war scandals and the Communist influence in government. Only a Republican Congress will have the courage to adopt measures necessary to check inflation, because the Administration is still dominated by the idea that we can spend ourselves into prosperity.

Robert A. Taft

You do not have an opportunity of electing a Senator this year, but I could not come to Illinois without expressing my great admiration and affection for Curley Brooks. For the last six years he has fought steadily for American principles. He has not hesitated to incur the enmity of those who smear anyone opposing the PAC program. I look forward to four years more in the Senate sitting by his side.

I strongly urge the re-election

(Continued on page 2091)

*An address by Senator Taft at Decatur, Ill., Oct. 16, 1946.

The Federal Reserve System and Credit Control

By RALPH A. YOUNG*

Asst. Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System

Dr. Young traces role and function of the Federal Reserve System in credit control and points out constant need of adjustment to changing financial conditions. Holds system has been vital force in financial development of a free economy, and present problem is to maintain banking and monetary conditions favorable to a stable and rising level of production and consumption without inflationary or speculative pressures and without undue monetization of public or private debt. Says traditional instrument of general Reserve credit policy has been weakened by necessity for maintaining orderly conditions in government securities markets and for protecting pattern of interest rates, and sees need for amplifying credit controls.

I appreciate having the opportunity to talk to you today about the role of the Federal Reserve System in credit control. Morris Plan banking and Federal Reserve banking stem from the same social background and are about of the same age. Both had their origin in a period of thoroughgoing reappraisal—by the public—of the functioning of banks; and both have passed through the same periods of financial stress and change. Because of the adaptations that have been made to newer situations, both systems have turned out to be somewhat different institutions in method of operation and in function from what many conceived at their origin. But men of broad vision were associated with their founding—men who by experience and study were aware that agencies of finance are dynamic institutions, sensitive and responsive to the changing needs of the economy.

Another circumstance makes a review of the role and function of the Reserve System in credit control especially appropriate on this occasion. That circumstance is the stage in which we find ourselves in national banking development. We have just passed through a period when the nation's banking resources were predominantly absorbed in financing total war. We are now endeavoring to readjust our banking operations and activities to what we devoutly hope will be an enduring period of peace.

This transition must be a gradual one, because the assets of a banking organization geared to financing total war can only be slowly converted into assets appropriate to sound banking in peacetime. Not only must this transition be gradual, but it must also be disciplined and orderly. Experience has taught us that stable banking operations are es-

(Continued on page 2100)

* An address by Dr. Young before Annual Convention of Morris Plan Bankers Association, Virginia Beach, Va., Oct. 22, 1946.

Economists See End of Price Inflation in 1947

Mild business recession expected by most to accompany decline in prices, with employment not seriously affected.

General commodity prices will reach an early peak and then turn downward in the opinion of a majority of the 72 non-government economists participating in a survey conducted by Thomas S. Holden, President of F. W. Dodge Corp., the findings of which were made public Oct. 19.

The group polled includes economic consultants and economists connected with business corporations, financial institutions, universities and economic research organizations.

Fifty-three expected the peak to occur and the general price recession to start before the end of 1947, one expected it within 18 months, while 12 expected it after the end of 1947. The remaining six commented on the price situation without giving specific answers as to the time when the peak of the current movement may be reached.

All but three of the economists who expect a price recession before the end of 1947 anticipated the downswing in commodity prices to be accompanied by a recession in business activity, though only one of the 50 expects such business recession to assume serious proportions. Twenty-three of them characterize the coming recession as "mild," 24 of them as "moderately serious." A majority (28 of the 53) do not expect serious unemployment; 9 expect unemployment of moderate seriousness and 12 expect serious unemployment. About half expect buyers' strikes, and about two-thirds expect inventory troubles and reduced business profits.

A composite of the views expressed on the timing of the price and business recession follows: consumer goods would reach a price peak and turn down during the spring of 1947, building materials around the middle of next year, other durable goods in the second half of 1947. Eighteen of the economists expect the turn in consumer goods prices before the end of 1946. With regard to duration of the downswing, two-thirds expect it to last less than 12 months in consumer good prices, 60% expect less than 12 months of downswing in building materials prices, and 55% expect less than 12 months of declining prices in durable goods other than building materials.

Pointing out that the Bureau of Labor Statistics' index of wholesale prices of all commodities stood at 128.4 on Aug. 24, the economists were asked to estimate the extent of such rise over that figure as they might anticipate by the end of 1946, and by the time the index reaches its anticipated peak.

Among the 53 anticipating a price peak before the end of 1947 the extent of rise in the general index to the end of 1946 was as follows: 5 anticipated a decline from the Aug. 24 figure (128.4), 8 anticipated zero increase over that figure, 28 anticipated rises ranging from 2 to 9 points, and 7 anticipated a rise of 10 points or more. The average of all the answers was about 5 points increase.

On the question of the number of points the general index would rise from Aug. 24 to the anticipated 1947 peak, the answers were as follows: no increase, 7; increases ranging from 2 to 9 points, 16; increases from 10 to 15 points, 13; increases of more than 15 points, 10. The average of all the increases indicated was a little under 10 points.

With regard to building materials prices, 32 of 42 answers indicate a smaller percentage drop from the peak than would occur in general commodity prices. A number qualified this statement by saying the drop would be less if measured from the official price index (which registers OPA ceiling prices) but greater as measured from actual current prices being paid in the market.

The minority of 12 who expect the price peak after the end of 1947 naturally expect larger price rises than do those of the majority group. The average of increases to the end of 1946 expected by the minority is 10 points, the average of expected rises to the price peak is about 40 points.

As a general conclusion, it may be stated a majority consider that commodity price inflation has very nearly run its course, while the minority expect it to continue into 1948 or beyond.

The 6 economists who refrained from specific answers to the questions asked, cited uncertainties in the foreign situation, domestic politics, government controls, and union labor attitudes as reasons why no answers could be hazarded.

The following participated in the survey:

Adolph G. Abramson (S.K.F. Industries, Inc.); Dr. Eugene E. Agger (Department of Economics, Rutgers University); Prof

(Continued on page 2121)

Business Man's Bookshelf

Industrial Relations for Supervisors—Selected reading list—Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—Single copies complimentary — Quantity prices quoted upon request.

Law of Labor, The — A Brief History of Its Evolution in Our Time—Murray T. Quigg—National Industrial Conference Board, Inc., 247 Park Avenue, New York 17, N. Y. — Paper — 25c — Lower rates in quantity.

France Seeking Loan From Internat'l Bank

Eugene Meyer, President of the International Bank for Reconstruction and Development, announced on Oct. 21 that the Bank had received an application from the Government of France for a loan of $500,000,000, to be advanced during the year 1947. The application requested that the loan be made to the Credit National, to be guaranteed by the French Government. The stated purpose of the loan is to meet the cost of purchasing and importing into France certain equipment and materials required as part of a general plan of reconstruction and modernization. It was announced in last week's issue of the "Chronicle" (p. 1995) that a request for a $500,000,000 loan by France from the International Bank was expected.

Reasons for Stock Market Break

By ALBERT E. VAN COURT and AUGUSTUS SLATER
Of Gross, Van Court & Co., Los Angeles

Writers discuss such attributed causes of stock market break as: (1) Russia and fear of war; (2) unsatisfactory labor conditions affecting productivity and profits; (3) OPA actions; (4) construction bottlenecks; (5) transition from sellers' to buyers' market; (6) increasing inventories at peak levels; (7) tightening of instalment credit terms; (8) low rail rates in relation to operating costs; (9) foreign liquidation of securities; (10) marginless trading; and (11) undigested new capital issues. Conclude present difficulties stem from political considerations and carry-over of a spirit of waste and profligacy which characterized war effort, and situation can be remedied by more productivity and cooperation of labor and management. Sees better outlook due to removals of controls and bottlenecks.


A. Slater


Albert E. Van Court

It is a common characteristic of American business and investment psychology that the reasons for booms and optimism are obvious and easily understood, but the causes of declines are often conceived to be manifold or obscure. As a nation we accept growth and progress as matter-of-course, but regard faltering or recession with superstitious apprehension. The security markets, more than ever today, are an intensely human rather than coldly mathematical phenomenon, reflecting the hopes and fears of over 15 million investors of all types and circumstances. Prices are ruled partly by psychology and are therefore hyper-sensitive to maladjustments which periodically plague our economic system. These maladjustments are not always clearly discerned and almost never universally agreed upon. Hence, in a politico-economic atmosphere charged with confusion and vacillation, orderly switching or liquidation may induce additional and often blind selling. Panic is irrational fear of the unknown, and that is a little of what we have had.

With the postwar business boom still in the making, the absence of usual elements associated with severe price declines — inflated commodity prices, rampant speculation on borrowed money, swollen inventories (see below), or dwindling consumer demand—has heightened the apparent mystery of the 1946 securities market to date. The urge to sell, assuming at times stampede proportions, nevertheless had a rational beginning and must come to a logical end. But the multiplicity of reasons generally ascribed for the decline is in itself a measure of the recent swift tempo of fact and fancy infringing upon the investment mind.

Reasons?

In order therefore to clarify

(Continued on page 2121)

World Bank Faces Crucial Decisions

By ERNEST H. WEINWURM

Writer contends statement on Bank's credit policies presented by J. W. Beyen, Dutch Executive Director, will have to be implemented in various directions when actual loan contracts are being negotiated. Holds segregation of projects built and goods purchased from loan proceeds is decisive issue, and advocates they should be used as collateral for those loans. Says state legislatures when called upon to make World Bank bonds eligible for trust investments may be expected to insist that borrowers furnish maximum security in addition to the guarantees provided for in the Bank Charter.

The World Bank has now entered the second and probably the decisive chapter of its shorter history. This date is marked by three events: The call for the statutory member contributions amounting to 20% of their total subscription; publication of the first list of loan applications and the first annual meeting of the Board of Governors of the Bank.


Ernest H. Weinwurm

Why should this particular stage be supposed to have such outstanding importance. It is not so much—as many may assume—the question of developing a market for the Bank's obligations. To be true, this is an important matter. But its solution depends mainly on the future situation on the main capital markets; the Bank will have to adjust its policy to those conditions without having any particular share in their determination.

Credit Policy Presents Main Problem

The crucial problem is the Bank's credit policy to be decided upon by the management (the President and the Executive Directors) within the next few months. For the terms as included into the first loan agreements will

(Continued on page 2122)

Needed: Reform of Construction Industry

By BEARDSLEY RUML*
Chairman of the Board, R. H. Macy & Co., Inc.

Asserting construction industry is costly and wasteful, subject to feasts and famines of seasonal and cyclical demand and to illegal restrictive measures, Mr. Ruml points out progress in housing is disappointing. Lays blame on Congressional delays, and calls for a thorough investigation for stabilizing the construction industry. Says public works alone cannot effect stabilization, but should be used in connection with a program for government regulation of whole construction industry. Says this would foster competition and lower costs, and would be large factor in promoting prosperity in the United States and throughout world.

When the National Electrical Contractors Association invited me to address this meeting, it did not do so under any misapprehension. I am not an authority on the construction industry as a whole nor an expert with respect to any of its parts. My interest in the construction industry is derived originally from an interest in national fiscal policy, from a study of public works and conservation as one element in national fiscal policy, and more recently from the housing crises and its relation to construction.


Beardsley Ruml

I want to make it clear that my attitude toward the industry and toward its problems is not one of hostility or of perfectionism. If some of my remarks are critical, they are not unfriendly. If they are incorrect or if they give a wrong impression, I should be the first to want to change them. I am not interested in sensationalism or in the purveying of colorful anecdotes.

During the 20's, the government taught us to believe that public works might be used to help even out the business cycle. But during the depression of the 20's, we came to have a profound disillusionment with respect to the use of public works as a means of sustaining business activity.

(Continued on page 2106)

*An address by Mr. Ruml before the National Electrical Contractors Association, Atlantic City, N. J., Oct. 17, 1946.

Real Estate Securities

We hear that:

The following interest distributions on real estate bonds will be made on Nov. 1, 1946:

Court Remsen	$16.25	per	$1000	bond
80 Broad Street	26.00	per	650	bond
11 West 42nd Street	23.75	per	1000	bond
A. M. Greenfield	16.95	per	1130	bond
Kramon Development	17.50	per	1000	bond
Lewis Morris	22.50	per	1000	bond
Macrid	20.00	per	1000	bond
Maple Kissena	15.00	per	1000	bond
Madison	25.00	per	1000	bond
Pennsylvania Building	6.93	per	346.50	bond
Textile Realty	12.00	per	1000	bond
Governor Clinton	20.00	per	1000	bond
Roosevelt Hotel, N. Y.	25.00	per	1000	bond

Genessee Valley Incorporates

ROCHESTER, N. Y.—Genessee Valley Securities Co., Powers Building, is now doing business as a corporation.

Fagan & Co. to Admit

Fagan & Co., 41 Broad Street, New York City, members of the New York Stock Exchange, will admit Irving Herzfeld to partnership on Nov. 1.

Scouting the Economic Front

By ARTHUR A. HOOD*
Editor, "American Lumberman"

Warning we will soon be in a buyer's market, and when increased production hits market we are in for a competitive era, the like of which we have never seen, Mr. Hood asserts many business concerns will be caught without adequate sales plans and personnel and will find chief problem will be better and more efficient marketing. Sees need for greater pressure to create sales and lays down precepts to be followed. Urges building new and improved economic cooperation outside of government. Pleads for better human relations in industry.

Scouting implies seeking out the enemy, studying his offensive and defensive installations, determining if possible his strategic and tactical planning.

Arthur Hood

What *is* the enemy of the profits and satisfactions we seek in our business—and just what is the battle about? We are fighting over what is the greatest good for the greatest number of people! For us here victory would mean the retention of the profits and satisfactions in business as we have known it. That means we must convince the majority that the American system provides the greatest good for the greatest number. The battle ground is the market place, the political air above it and the oceans of foreign ideologies touching our economic shores.

The enemy is a concept, the concept that the state can better manage the production and distribution of a higher standard of living for the whole people than can the people themselves cooperating in a system of private enterprise within a framework of moral and legal standards.

The battle is going on all around us although on such a wide front and with such long-range weapons that we are individually seldom in direct personal contact with the enemy. But *his* scouts are in our back yard.

Must Fight Harder

As a realistic scout I must say that we free enterprisers have been losing the battle and we are going to have to fight both harder and *far more intelligently* than we have in the past, or we will individually and collectively suffer the loss of our economic freedom. The enemy has the initiative.

A basic difficulty is found in

(Continued on page 2093)

* From an address by Mr. Hood before the Annual Convention of the National Hardwood Lumber Association, Chicago, Ill., Oct. 3, 1946.

Comprehensive Social Security

By A. J. ALTMEYER*
U. S. Commissioner for Social Security

Predicting widespread need for expanded social security, Federal Commissioner pleads for a unified program under Federal control. Says it can be ultimately accomplished with a single payroll deduction and employer's contribution together not exceeding 8% of wages. Would have decentralized administration in health insurance and opposes socialized medicine. Contends social insurance on a contributory basis is opposed to socialism, and claims it is a form of organized thrift.

I have been asked to discuss a very large topic, namely, "The Need for Social Security in the Postwar World." It would be a very presumptuous person who would pretend to be able to predict the exact future development of what we in this country have come to call social security. Its development depends first of all upon what kind of a postwar world we shall have.

Arthur J. Altmeyer

Of one thing we can be certain. It will be a world of intensive, extensive, and rapid change—not only technological change but political, economic, and social change as well. We are not yet able to grasp even dimly the tremendous implications of the atomic bomb. While its technological implications stagger the imagination, its political, economic, and social implications are even more tremendous.

But I do not propose to discuss the atomic bomb. Rather, I should like to point out that even though the atomic bomb had never been discovered this war that we have just fought has released psychological forces which, when coupled with widespread human misery and want, have set off "chain reactions" literally world-wide in their extent. I refer to what you probably will say are very old concepts of liberty, democracy, and equal opportunity. It is true that these concepts are not new in the western world, but they have never before been given global currency and application. The peoples in the far corners of the world have now become keenly aware of them and apparently are proposing to act accordingly.

It took hundreds of years for the rise and fall of ancient empires. It has taken only a few decades to encompass the rise and fall of modern empires. As a matter of fact, the mode of existence of the common man was very much the same for thousands of years until a little over 150 years ago, when the technological forces—which we call the industrial revolution—and the political forces—which we call democracy — began to sweep through the western world. The result has been that there has been more change during the last eight generations than there had been during all of previous recorded history. What is important for us is that, so far as any

(Continued on page 2102)

*An address by Mr. Altmeyer before the Controllers Institute of America, New York City, Sept. 16, 1946.

London Sees Delay in Operation of the Fund

LONDON, ENGLAND: (by Cable)—Wednesdays' London "Financial Times" reports a curiosity in financial London as to whether the failure of the International Monetary Fund to announce its members' parities on Oct. 12 betokens difficulties and consequent delay in the Fund's expected commencement of operations early next year. The article states Manager Emile Gutt requested the parities within 30 days of Sept. 12. That zero hour has passed without public announcement of the parities filed with the Fund and the "Times" asks whether Mr. Gutt is experiencing difficulty in obtaining compliance. Calling the answer to this question not unimportant the "times" cites the delayed organization of the Fund this summer, and says "procrastination over parities might postpone actual commencement of business beyond the expected early days of the new year."

The Fund's personnel, now in London, when contacted by the "Chronicle's" representative refused to speak for quotation but indicated their clear opinion that the London views just cited are based on inadequate understanding of the Fund's Articles of Agreement. Naturally the fixing of parities in many instances poses great difficulty as was pointed out during the Bretton Woods Conference. And the Fund has 90 days from Sept. 12 to sweat the problem through.

The Rubber Trade Association members may henceforth make contracts to buy or sell physical rubber for delivery and for shipment commencing Jan. 1, when the combined Rubber Committee allocation system ends thus further restoring normal marketing methods. The contracts, however, are confinable to loose or packed rubber for delivery into warehouse in sterling producing areas or physical rubber for CIF or FOB shipment from sterling producing areas to consuming countries, excepting the United Kingdom. Such shipments will be subject to normal export licensing procedures and any non-sterling preceeds must be accounted for under Defense Finance Regulations as between 1940 and 1942. The reason for authorizing 1947 contracts now is to avoid foreign buyers sidestepping the London market. Rubber traders in London hope Sir Stafford Cripps' statement next Friday on the restoration of free market dealings will clarify prospects for hedge operators.

Pitfalls and Guideposts Of Commercial Banking

By EDWARD A. WAYNE*
Vice-President, Federal Reserve Bank of Richmond

Federal Reserve official lists as pitfalls in commercial banking: (1) certain laxities in granting loans for productive purposes; (2) laxity in handling of investment problems, particularly in discriminating between "credit" bonds as distinguished from "money" (Federal) bonds; and (3) failures to diversify deposits properly to conform to banks' needs and economic factors affecting the community. Finds chief loan pitfalls are: (1) false sense of security in lending to concerns whose corporate issues are held by large banks; (2) substituting "ratings" by commercial agencies for individual credit analysis; and (3) failure to obtain and maintain full and complete credit information. Counsels avoiding attempts to secure profits from speculative efforts.

It is dangerous to rely on past experience as a sure guide to the solution of current and future problems. It was Lowell who said:

"New occasions teach new duties,
Time makes ancient good uncouth."

Edward A. Wayne

At the same time, since it is not possible to see into the future, we are forced to make today's decisions regarding tomorrow's prospects in the light of yesterday's experiences. Therefore, the observations which I shall bring you today are drawn from yesterday's experiences, and I hope you will not take them as any oracular utterances, for certainly they are not presented in any such light.

It would be a waste of your time for me to discuss certain phases of the banking operation, since you have had long experience and have pioneered in some fields. Instead, I should be listening to you. In fact, it was listening, with both pleasure and profit, to one of your number that resulted in my being here today. What I am doing here is trying in a small way to repay a debt to Tom Boushall. The Federal Reserve Bank of Richmond holds a conference for its examiners every three months, and some 18 months ago we asked Tom to come over and discuss with us "Pitfalls of Consumer Credit." He came and, as usual, did a magnificent job. So, when Tom asked me to be with you today, all I could say was "yes." Fortunately for our examiners' conference, Tom knew what he was talking about while, unfortunately for you, I am not at all sure that I do.

Tom gave me the mighty broad subject of "Pitfalls and Guideposts of Commercial Banking," and was not specific as to how he wanted me to treat it. The term "commercial" is not sufficiently descriptive and "pitfalls" are so numerous that choices of phases of commercial banking and of certain pitfalls will have to be made. I have also assumed that you are primarily interested in the pitfalls and phases of operations in which you have had the least experience.

In order to establish with some degree of certainty what those phases were, I have gone back 10 years and compared the published statements of representative banks from your group with aggregate figures for all national banks as of the same or approximately the same date. In addition, I have studied the condition reports of certain of your member banks, which began to broaden their operations some years ago, comparing the composition of their assets and liabilities today with that of the days when their operations were more limited.

(Continued on page 2112)

*An address by Mr. Wayne before the 26th Annual Convention, Morris Plan Bankers' Association, Virginia Beach, Va., Oct. 22, 1946.

Railroad Securities

Many rail analysts who have been cautious, and even bearish, for as long as a year have recently been inclined to adopt a more bullish attitude towards at least that section of the list representing roads which over a period of years have proven themselves fundamentally sound. There obviously can not be at any time any real assurance that prices have seen their absolute bottoms. It is characteristic of security markets that they are regularly subject to extremes of pessimism as well as optimism. On the other hand, there can be no question but that the declines of the past few months have uncovered a number of outstanding bargains among the better grade dividend paying stocks. Thus, whether or not the bottom has been seen it is considered in many quarters that the time has arrived at least to start on a buying program.

Stocks of railroads with a history of profits going back well into the last century and with enviable dividend records even during periods of severe depression have been available to return as much as 5.5% to 7.5%. On their face such prices would appear to reflect the possibility that dividends were about to be reduced or eliminated entirely. Actually the reverse is true. There are few, if any, important dividend rates that appear to be in danger at the present time and there is probably no other of our major industries where the prospect of dividend increases over the next six to 12 months appears to be so favorable. Such roads as Santa Fe, Chesapeake & Ohio, Great Northern and Union Pacific should, on the basis of present prospects, be well able to give serious consideration to increased disbursements over the intermediate term. Any such action would obviously have a salutary psychological influence on the entire better grade rail list.

Aside from the factors that brought on the general sharp paring of all security prices the railroads have had a particular adverse influence of their own. In connection with the freight rate hearings there was considerable publicity given to the dire earnings prospects depicted by representatives of the carriers, highlighted by the extremely bearish estimates made individually by Pennsylvania and New York Central. Considerable less press publicity was given to estimates by roads anticipating profitable operations this year and in 1947. The hearings have now been completed so that holders of rail securities will presumably no longer be faced with the almost daily press reports of predictions of doom for the industry. On the contrary, the market will probably soon begin to try and anticipate the freight rate action even though the decision is not expected at least until December. Most rail men believe that the Commission will be realistic and grant a substantial part of the increases requested.

Another favorable aspect of the railroad market picture is that there has been a decided change for the better in earnings results in recent months. Earnings comparisons with like 1945 months and with the first half of 1946 have become consistently more favorable since the midyear. This trend is expected to continue. Railroads are traditionally slow to get expenses under control when traffic first starts to decline. This traditional rigidity was aggravated during the first half of 1946 by wage increases retroactive to the beginning of the year and mounting other costs not compensated for by any rate increases. Effective July 1 the roads have had the benefit of at least moderately higher rates in addition to the naturally progressively greater control over costs.

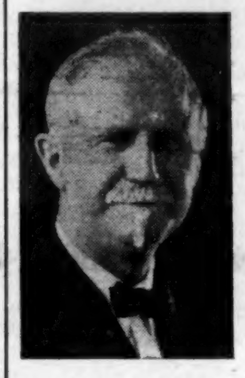
Along with the prospect of further rate increases and the gradual better control over expenses, the railroads are believed by most analysts to be facing a period of traffic volume above any previous peacetime peaks. Certainly unless industry in general is going to be faced with a serious new wave of strikes and work stoppages the outlook for production is highly favorable and high production rates mean heavy freight volume. This will be augmented by movement of construction materials and shipment of bumper crops to markets here and abroad.

A Challenge to Free Enterprise

By ROGER W. BABSON

Mr. Babson, in commenting on railroad situation, points out unless railroads enter a concerted campaign to reduce costs, they are racing toward government ownership. Sees need for physical improvement of lines, but expresses doubt that, unless rates are increased, needed capital can be obtained. Urges rail directors and officials have greater financial interest in their companies.

As this is being published I am on a railroad train making my annual inspection of our U. S. Well, my first thought is that the railroads are racing toward government ownership! It is not entirely the fault of management, although the lack of interest in the railroads, financial or otherwise, on the part of directors and officials is no doubt a contributing factor. A railroad or any other business can not be expected to operate at a loss. Yet today, in the greatest period of peacetime railway traffic, most of the railroads are operating at dangerously high costs and are crying for higher freight rates which only postpone the day of recovery.


Roger W. Babson

The railroads, today, need many high-cost replacements. It is estimated that from four to six thousand locomotives will need to be replaced within the next few years, many now being over 25 years in service. There is great need for new passenger and freight cars. Are the railroads to continue to operate with the same equipment until eventually it falls apart and we have no railroads? Or are they going to manage to operate with a profit large enough to attract investor interest and thus with the increased capital so obtained permit replacements and improvements?

Need for Economy

The only real hope for continued solvency of the railroads is a concerted campaign to reduce costs. We have examples of such savings in the new vapor seasoning method for ties and timbers, which reduces checking and splitting more effectively than the old air-seasoning process. Further, it reduces the time necessary to accomplish the seasoning from approximately 15 months to less than a day. End hardened and welded rails help to reduce high maintenance costs. The use of longer-lived materials results in greater rigidity and permanence of track.

Partly because of higher labor costs, many maintenance-of-way departments are using more power-operated machinery than ever before. With machines, three to four times more track can be laid in the same time than can be laid manually and maintenance costs materially reduced. The protection of ties from mechanical damage, caused by the higher speeds and the heavier loads and motive power of today may be effected by the installation of larger tie plates. An authority on the subject states that the installation of such large plates, even though the heavier rails are not now to be installed, will produce a savings per track mile of $500 to $1,500 annually. But all these improvements cost money and where will the money be found? I fear that Uncle Sam who controls the rates must provide it.

Management's Responsibility

Directors and officials of railroads should have a greater financial interest in their companies. If the present management is to continue to operate the railroads, it is up to an *active* managing interest to avail itself of all known and new methods of economic operation. Furthermore, labor must cooperate toward a fair relation between labor costs and freight and passenger rates; and, in addition, must find ways of encouraging thrift and responsibility for a full day's work by all of the railroad employees.

If management does not fight for its rights to make and keep the railroads a profitable business, government ownership is likely to result. A fair example of what this might mean can be seen in Mexico where the rail transportation of the country is close to breaking down and where the government-owned roads are being controlled and operated by the labor unions. And this brings me to my final statement, namely, that the labor unions are running the railroads. With an exception of a dozen, I don't want a penny invested in the remaining 200 roads.

Steindecker 20 Years With N. Y. Hanseatic

Otto H. Steindecker, Assistant Vice-President of the New York Hanseatic Corporation, 120 Broadway, New York City, celebrated his twentieth anniversary with the Corporation on Oct. 21. He was tendered a luncheon by his associates at the Bankers Club in honor of the occasion.


Otto H. Steindecker

Sees Buyers' Market Imminent

Dr. Nadler predicts an increase in production exceeding demand if prices and wages remain high and productivity of labor increases.

A picture of the United States at the economic crossroads during the next few months, with a prediction of an end to the present boom within that period, was drawn by Dr. Marcus Nadler, consulting economist of the Central Hanover Bank and Trust Company, and Professor of Finance of New York University, to members of the Factors and Finance Division of the Federation of Jewish Philanthropies in New York City on Oct. 21.

Dr. Marcus Nadler

"If prices and wages remain more or less at their present level," Dr. Nadler predicted, "and the productivity of labor increases, then the business pattern will be somewhat as follows: Business activity will be at a high level for the next few months. Within that period production is bound to increase very rapidly and soon the present sellers' market will be converted into a buyers' market.

"This applies particularly to soft goods (perishables, clothing, etc.)," he said, "where production has been at a high level and where the accumulated demand is not particularly great. A large portion of the family income, particularly those in the middle and lower income groups, has to be used for food. As soon as the supply of durable goods increases, there will be a shift in purchases from soft to hard goods."

Dr. Nadler also said that the financial outlook for the country will depend primarily on the business outlook.

"If the pattern for business," he said, "is one of boom and bust, then, obviously, the monetary authorities will endeavor with all the means at their disposal to restrict the use of bank credit for speculative purposes. If, on the other hand, the pattern of business is one of relative stability with a recession in the not distant future, then the policy of the monetary authorities will undoubtedly be to stimulate business activity and to prevent the recession from becoming a depression."

Four Join Staff of Buckley in Los Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Albert B. Adams, Ralph L. Dofflemyre, James D. Kent and Edward E. More have become associated with Buckley Brothers, 530 West Sixth Street. Mr. Adams was previously with the First California Co. Mr. Dofflemyre and Mr. More were with Nelson Douglass & Co.; Mr. Kent with Walston, Hoffman & Goodwin.

King Merritt Opens Los Angeles Branch

LOS ANGELES, CALIF.—King Merritt & Co., Inc. has opened a branch office in the Chamber of Commerce Building under the management of Paul J. Koughan. Also connected with the new branch will be Walter Gierlich.

Are Labor-Management Relations Based on Economic Principles?

By JEROME and S. JAY LEVY
New Economic Library

Pointing out higher pay does not mean increased purchasing power, economists maintain real function of wages should be assurance total available goods are justly divided among workers. They therefore recommend technique of "Job Evaluation" be utilized so each worker can be paid in proportion to his contribution to production. Specific proposals are listed for accomplishing such evaluation, under Government aegis.

The development of a method to assure fair wages that will eliminate the need for strikes and lockouts and which will be acceptable to labor, management, and the public is one of our most vital domestic problems. During the past several years Congress has held numerous hearings on labor-management proposals. A great many magazine and newspaper articles and radio discussions have dealt with this problem. But no acceptable plan has been evolved.

Because the determination of wages is an economic problem, its solution should be derived from the principles of our capitalist system. To hold otherwise would be taking the position that a government accepting a system is not obligated to assure its just and efficient operation. Since we are also living in a democracy, the economic measures adopted must also be in accord with our democratic principles.

From the beginning of our industrial growth the worker has been struggling against low money wages, unsatisfactory working conditions, and unjust treatment by his employer. At first the public attitude was that labor-management relations were solely an affair between each concern and its employees and did not call for government action. It was a period of extreme individualism.

Collective Bargaining Not Enough

In order to promote their welfare the workers organized into unions for collective bargaining. They soon found out, however, that collective bargaining in itself would not bring higher wages and better working conditions Additional power or weapons was needed to offset the financial and political power of industry. Labor found these weapons in the strike and the picket line. These weapons gradually won acceptance in our laws as rights guaranteed under our democratic political system.

With the strike and the picket line the workers have been able to realize many of their demands for higher wages, shorter hours, overtime pay, the elimination of speedup methods, restrictions on the use of equipment, the closed shop, and so forth.

Labor, however, has not been able to secure the acceptance of its contention that the government is obligated to assure every worker the opportunity of a job.

(Continued on page 2088)

National Transportation Policy

By DONALD D. CONN*
Executive Vice-President, Transportation Association of America

Asserting transportation regulation is drifting toward government ownership, Mr. Conn holds there exists program to discredit private enterprise by focusing attack on carriers. Says success of this movement would lead to socialism. Complains carriers are subjected to conflicting restrictive statutes and that government is supplying capital to compete with private transportation. Urges a Congressional reappraisal of transportation policy with view to permitting private ownership to survive.

In contemplating forces that might order the political affairs of men, the choice may be narrowed down to two: On the one hand, the doctrine of the supremacy of the state; on the other, the doctrine of the supremacy of the individual. In the light of history, the choice was regarded as of such importance that the men who designed the American idea went to the unusual lengths of laying out their plan in contract form—the Constitution.

Donald D. Conn

The prime objectives of this great instrument are individual liberty and freedom. The motivating force, by which these principles are guaranteed to the American people, is the system of private enterprise.

We who believe in our institutions of government must now demonstrate that this system, which has given to its people the highest living standards ever enjoyed by the masses of any race, not only can endure but can be adapted to the needs of an ever-changing economy.

The Background

In the past decade I have accumulated a half million miles of travel about this country. I have discussed and debated the transportation problem in rural areas, small towns, and cities. I have met with thousands of farm, labor and business leaders, individually and in gatherings. I can emphasize without fear of contradiction that this system of private enterprise is anchored deep in the hearts of these men and women. Yet, for many years they have taken it too much for granted. Too many have failed to heed the danger signals that threaten its very existence.

I refer, particularly, to the growing dependence of the individual upon government instead of upon himself; to the disregard of the line between functions of public and private agencies; to the use of government capital in direct competition with private capital, and to the rise of predatory political machines. In too many places self-interest has been as-

(Continued on page 2107)

*An address by Mr. Conn before Boston Conference on Distribution, Boston, Mass., Oct. 14, 1946.

Investors Syndicate Elevates Three

MINNEAPOLIS, MINN. — Directors of Investors Syndicate, international investment company, announced the promotion of three members of its executive staff and the creation of a new department to keep pace with its expanding investment services and record volume of new business.

Robert L. Smith, Jr., Vice-President, has been named head of the new department designated as "Conservation, Research and Education." Mr. Smith, former Securities Commissioner of Minnesota, more recently headed the company's Sales Department.

Clyde J. Moore, former assistant general sales manager, has been elected a Vice-President of the company. Mr. Moore will be the administrative and executive officer of the sales department.

Grady Clark who had served in various sales executive capacities since 1934 has been named general sales manager. He will be in direct charge of all sales personnel and sales activities in the field.

W. T. Dwyer Opens

GARY, IND. — William T. Dwyer has opened offices at 522 Broadway to engage in the securities business.

Johnston, Wolkiser At Distributors Group

The appointment of Frederick W. Johnston and Arthur W. Wolkiser as District Managers has been announced by Distributors Group, Incorporated, 63 Wall Street, New York City, sponsors of the shares of Group Securities, Inc., one of the country's largest mutual investment funds.

Mr. Johnston, who will make his headquarters in Chicago, served as a Major in the Army Air Forces during the war and previously was associated with Kidder, Peabody & Co. after having been with Harriman Ripley & Co. from 1933 to 1941. His territory will include northern Illinois, Minnesota and western Michigan.

Dr. Wolkiser, with a territory comprising southern Illinois, most of Indiana and Missouri, and including Cincinnati, will make his headquarters in St. Louis. He is well known as a lecturer on economics in the graduate division of Brooklyn College and as a consulting economist for a number of large companies. He is a frequent contributor to leading financial and economic journals both in the United States and Europe. Dr. Wolkiser was on the staff of Lt. General Clay in Berlin as a special advisor on German industry and Government.

Dewar & Hudgins with Fairman & Co.

LOS ANGELES, CALIF. — John M. Dewar and Herbert C. Hudgins have become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Dewar was formerly with Walston, Hoffman & Goodwin and prior thereto was a partner in Thomas Kemp & Co. Mr. Hudgins was with Maxwell, Marshall & Co.

Holley and Jeffers With Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Luther R. Holley and James E. Jeffers have become associated with Walston, Hoffman & Goodwin, 550 South Spring Street. Mr. Holley was previously with Hill, Richards & Co. and Barbour, Smith & Co. Mr. Jeffers was with Maxwell, Marshall & Co. and Adams-Fastnow Co.

Mutual Funds

By BRUCE WILLIAMS

Competition With a Capital "K"

It is our painful duty to report that a great deal of good, bad and indifferent investment company literature is **not** being read by dealers these days. The reason? Simply that the output has reached the point of diminishing returns. Whereas, a few years ago a lot of investment company literature went unopened in the waste basket because of lack of interest, today it is finding its way there because dealers and salesmen are not physically able to assimilate the current volume output.

That, undoubtedly, is the price of intensified competition. All investment company literature is better today—much of it so good that it only needs to be used to get results. From here on, mutual fund sponsors who place the accent on quality rather than quantity should get the most out of their sales promotional dollars. And, as always where competition is keen, "quality in quantity" will still be the best answer.

"Broadcaster"

Investors Syndicate's monthly house organ, "Broadcaster," is unique among investment company publications, primarily because this sponsor has the only nation-wide direct sales organization in the field. Devoted to the individual salesmen, and consisting largely of contributions from them, this "magazine" is an excellent example of first class sales promotion.

Story With a Moral

Selected Investments Co., in a recent memo on **Selected** American Shares entitled, "When We Were Here Once Before," presents the following pointed comparisons:

"On Sept. 27, 1946, the Dow-Jones Industrial Stock Average closed at 174.09. For practical purposes, this is the same price level as on Aug. 31, 1945, a little over a year ago, on which day the Industrials closed at 174.29.

"We believe you will find it interesting to observe what has happened to various types of investments in this period:

	8-31-45	9-27-46	% Chgs.
Dow-Jones Industrial Stock Average	174.29	174.09	— 0.1%
Dow-Jones Railroad Stock Average	55.28	48.42	—12.4
Dow-Jones Utility Stock Average	33.01	34.78	+ 5.4
Dow-Jones Combined 65 Stock Average	64.36	62.53	— 2.8
Dow-Jones 40 Bond Average	106.04	103.08	— 2.8
Dow-Jones Defaulted Rail Bond Average	51.86	37.90	—26.9
SELECTED AMERICAN SHARES, INC.	12.65	13.45	+ 6.3

Reassuring Earnings Foreseen

"The fears which have caused the decline of about 20% in stock market averages are gradually coming into focus. Essentially they all have to do with the **short-term** outlook for business. . . .

"In our opinion, forces are already beginning to operate which will gradually clarify the confusion and correct the causes of these fears. Third and fourth quarter earnings results will be reassuring. The expected change in control of the House of Representatives and the possible change in the control of the Senate, if these materialize, will be attributed to two major factors: OPA and labor. This will probably lead to the discard of OPA long before the act expires. It should have a strong restraining influence on labor demands in the early part of 1947. Labor productivity will probably begin to improve. . . .

"Our studies indicate that a period of high production levels is still before us for some time to come. The trend of developments should translate this into high profits and higher dividends. For investors these are the essential considerations—they are the only ones that can be measured and estimated. They point to periods of readjustment such as we are experiencing as offering sound investment opportunities. . . ."—*From the October Investment Report of Distributors Groups' Investment Research Department.*

"An Investment Opportunity"

"The severe decline in stock prices has caused many investors to ask if we are on the threshold of a business depression. To answer this question with confidence we have made extensive checks with executives of important companies. . . .

"Industry continues to operate under many handicaps. There are many governmental regulations, including OPA price controls. Nevertheless, good managements in most industries are demonstrating the traditional American ingenuity by adjusting costs and prices to show a reasonable profit. We find, upon careful checking, that most companies with good earnings for the first half of 1946 expect to report good earnings for the second half. A long list of companies with fair to poor earnings earlier this year anticipate substantially better earnings during the balance of the year. Earnings of a large majority of well-managed companies are now at or approaching satisfactory levels.

"In summary, we believe that the investment outlook is more favorable than suggested by current stock prices. We believe it is reasonable to anticipate an extended period of active business and good earnings for most carefully selected companies. Common stocks, in general, have declined to historically low levels against both current earnings and prospective results for a reasonable period ahead. Also, the average common stock now affords a yield which is most attractive against high grade bond yields of 2½% to 3%. These, in our opinion, are strong reasons for concluding that this is an investment opportunity."—*From a recent analysis by Manhattan Research Associates published in the October issue of the New York Letter.*

Time to Readjust

"This may be a good time to use current prices as a pivot point for averaging the cost of holdings in those security groups designed for both income and appreciation possibilities. The present situation gives the conscientious investment dealer an unusual opportunity to review a customer's investment program in the light of the current status of accounts and the customer's individual objective. For one thing, at present prices, the rate of return available on many issues of bonds, preferreds and common stocks is very attractive and helps the investor to meet still-soaring living costs.

"Owners of securities usually readjust holdings from a tax standpoint at the end of the year. The current situation necessitates advancing the date of such readjustment. Now is the time to use short-term losses to offset taxes on previous short-term or long-term capital gains. The tax savings to many investors will more than justify brokerage costs in making new purchases."—*From the October issue of the National Trust Funds Survey.*

New Prospectuses

Keystone Custodian Funds revised General Prospectuses dated Sept. 30, 1946.

Wellington Fund revised Prospectuses dated Oct. 15, 1946.

Manhattan Bond Fund revised Prospectuses dated Sept. 25, 1946.

Selected American Shares revised Prospectuses dated Oct. 10, 1946.

Dividend Shares revised Prospectuses dated Sept. 26, 1946.

Dividends

National Trust Funds—The following estimated distributions payable Nov. 15, 1946, to holders of record Oct. 31:

Preferred stock series	$0.16
Stock series	0.07
Selected groups series	0.02

Investors Stock Fund—A dividend of 30 cents per share (approximately 10 cents out of net investment income and 20 cents from realized security profits) payable Oct. 28, 1946, to stock of record Oct. 15.

Manhattan Bond Fund—An Ordinary Distribution of 9 cents and an Extraordinary Distribution of 29 cents per share for a total of 38 cents per share payable Oct. 15, 1946, to holders of record Oct. 5.

Dividend Shares—A dividend of 8 cents per share payable Oct. 25, 1946, to holders of record Oct. 15.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The announcement that about $2,000,000,000 of the Nov. 1 certificates will be paid off in cash means a continuation of the Treasury debt retirement program. . . . There were some who felt that the cash redemption on Nov. 1 would not be as large as $2,000,000,000, while others believed that there might be no retirements at all on that date. . . . Again there were those who expected that the Treasury would continue to redeem as large amounts as possible of the maturing certificates. . . . The redemption of these certificates on Nov. 1 will reduce war loan accounts to the point where it will take only a few more of these cash repayments of maturing debt to eliminate the reserve free accounts from the banking system. . . . The sharp decline in the equity markets and the uncertainties that seem to be developing in the economic picture, apparently are not yet significant enough to bring about any alterations in the plans of the monetary authorities. . . .

GOOD MARKET

The government bond market has been displaying a good tone, with some issues buoyant enough to have carried them above recent trading areas. . . . The demand for the longer restricted issues as well as the later maturities of the bank eligibles has come from banks, insurance companies and dealers. . . . Although the interest in the market has not been too large it has been sufficient to move prices ahead, and at the same time clean up some of the obligations that have been waiting for somewhat improved levels to be liquidated. . . .

There also seems to be a good undertone, with sizable orders reported for specific issues on the bid side of the market or a thirty-second or so under those levels. . . . The technical position of the market still improves as bonds are being taken permanently out of the market. . . .

Although certain institutional investors in some instances are not yet attracted to the government bond market, in an important way, it is believed by many money market experts that there will be a change in this attitude in the not too distant future. . . .

WARNINGS

The action of the regulatory authorities, particularly those in the savings bank field, in calling attention in no uncertain terms to what happened in the 1930's, according to reports, may have an important bearing on the investment policies of these institutions. . . . At the recent convention of the New York State Savings Banks in Quebec, for example, attention was directed to past experience of real estate mortgages that were based on inflated values. . . . Likewise, it was stated that the current unfavorable trend of railroad earnings indicates that several of these obligations may be removed from the legal list in the not distant future. . . .

These words of caution from the authorities seem to mean that they are in favor of a more conservative trend in the investment of savings bank funds. . . . United States Government obligations, as a result of this attitude on the part of the regulatory authorities, will most likely be a more favored source for the placing of savings bank monies until there is clarification of the economic situation. . . .

PARTIAL EXEMPTS IN DEMAND

The partially exempt obligations, particularly the longer maturities have been showing an improved trend and despite recent price advances still give a better tax free return than comparable maturities of the eligible taxable obligations. . . . Although the premium is substantial and most of the demand has come from the larger city commercial banks, there has been some acquisition by the medium-sized banks in the out-of-town areas. . . .

The floating supply of these securities has been cut down sharply in recent weeks and it is reported that the holdings of government agencies in some of these issues that were available for sale have been pretty well liquidated. . . .

Savings banks and insurance companies are no longer important holders of these bonds since their positions have been brought down through sales to modest proportions. . . . There is a good demand reported for the 2¾s due 1960/65 as well as the 2¾s due 1956/59, with some of the intermediate-term issues coming in for consideration. . . . The opinion now held by bank investment officers is that the demand for the partially exempt issues will continue as long as the tax-free yield remains favorable and there are no changes in income taxes. . . .

LOAN TREND

There seem to be differences of opinion over the future trend of commercial loans which have been making new highs each week. . . . Some in the financial district believe that these loans are about at their peak and will tend to level off from here. . . . There are others who are of the opinion that commercial loans will continue to advance, with the largest demand from now on coming from the heavy goods industries. . . .

The demand for business loans since the beginning of the year has been very substantial with reporting member banks showing an expansion of more than 29% in commercial, industrial and agricultural loans. . . . A considerable part of this increase in business borrowings has been to finance larger inventories. . . .

While it is likely that there will be some slowing down of inventory loans in the consumers' goods industries it is believed that there will be increases in term loans for working capital and to finance expansion of plant facilities in the heavy goods industries. . . . This would probably offset to a considerable extent any decrease in inventory loans. . . . The demand for loans in the future, it seems, will be determined largely by the trend of commodity prices and the level of business activity. . . . As yet there are not sufficient data to indicate what these trends will be. . . . Therefore, it is quite likely that some time will have to elapse before it will be possible to draw definite conclusions on the future course of bank loans, and its effects on the money markets. . . .

WATCHING

With the elimination of certain price controls and others to be taken off in the near future, as well as the likely ending of wage controls, there is concern in financial quarters as to what effect this will have on economic conditions. . . . This will depend to a very considerable extent on the course of commodity prices, which have shown a declining trend. . . . If this trend should continue for a time and then level off and improve somewhat, it is believed that the dangers of a boom and bust cycle will be greatly lessened. . . . A downward trend in prices and a business recession would no doubt effect some changes in Treasury policy. . . . It would probably mean no borrowing by the government to retire bank-held bonds, since the inflationary psychology would seem to be pretty well dissipated by such action of prices and business. . . .

The government securities markets, with the Treasury not likely to be seeking funds should improve, which should mean better prices for outstanding obligations.

Switzerland and U. S. Conclude Trade Agreement

OMGUS agrees on pact for imports and exports between U. S. Zone and Switzerland. Great cooperation, and implementation of increased trade, is anticipated.

LONDON, ENGLAND—It has been announced that the Delegation on behalf of the Swiss Government and the representatives of OMGUS held a conference in Berlin to discuss the resumption of trade between the U. S. Zone of Occupation and Switzerland and have come to an understanding. When the machinery of bizonal operation of the British and U. S. Zones is completed certain alterations in this understanding will become necessary. The text of the understanding follows:

I. Exports and Imports

1. Procedure regarding exports to Switzerland:
   a. OMGUS is at present the exclusive exporter of goods from the U. S. Zone of Occupation. Therefore Swiss importers of such goods must contact the Trade and Commerce Branch of OMGUS through official channels for inquiry and for negotiation of contracts. If and when business correspondence by mail of a non-transactional character is permitted between Swiss and German firms, preliminary negotiations may be carried on directly. The final conclusion of contracts will in any case be negotiated by OMBUS.
   b. If and when an agreement is reached, OMGUS will request the Swiss importer to open an irrevocable bank credit in favor of OMGUS providing for payment to the credit of the account of OMGUS with the Swiss National Bank in U. S. dollars. The bank issuing the credit will transmit to OMGUS through official channels confirmation of the opening of the credit. At the same time the Swiss importer will be requested to produce a certificate stating that the Division of Commerce in Berne approves of the transaction. The statement of certification will be forwarded by the Division of Commerce in Berne to OMGUS through channels. As soon as OMGUS is in possession of the aforementioned two documents, OMGUS will conclude the contract with the Swiss importer and take necessary steps for delivery of goods according to the terms of the contract.
   c. The same procedure will apply in the case of processing of raw materials or semi-manufactured products supplied by Swiss firms.
2. Procedure regarding imports from Switzerland:
   OMGUS is at present the exclusive importer of goods into the U. S. Zone of Occupation. Therefore OMGUS will keep the Division of Commerce in Berne informed of the kinds and quantities of goods which it desires to import from Switzerland.

(Continued on page 2089)

Byrd Henderson Pres. Of Small Loan Ass'n

Byrd E. Henderson, President of Household Finance Corporation,

Byrd E. Henderson

has been elected President of the American Association of Small Loan Companies at a convention of the Association held at the Hotel Commodore in New York City. The Association is the only national trade association of small loan companies and has over 2,000 memberships in the U. S.

P. W. Brooks Celebrate Fortieth Anniversary

Members of P. W. Brooks & Co., Inc., 115 Broadway, New York City, celebrated on Oct. 18 the fortieth anniversary of the founding of the firm at a dinner at the Harvard Club. Approximately thirty members of the Brooks organization attended the ceremony. Officers of some of the corporations which have recently been financed by the Brooks firm were guests at the dinner.

Daniel Davis Is With Edward A. Viner Co.

Daniel L. Davis, who for many years traded in foreign exchange and foreign securities before World War II, is now a registered representative and associated with Edward A. Viner and Co., 11 Wall Street, New York City, members of the New York Stock Exchange, the New York Curb and other principal exchanges.

During his absence from Wall Street, Mr. Davis did publicity work in the principal cities throughout the United States and abroad, and during the war he worked for the Federal Telephone and Radio Corp., Newark, New Jersey, which is the manufacturing affiliate of the International Telephone and Telegraph Corp. in the United States.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

The assets and business of fire insurance companies have expanded with the growth of population and with the increase in the national wealth of the United States. This secular trend is still under way, apparently has many years and much distance to go, and will presumably be reflected in the long-term market action of fire insurance stocks. This situation should appeal particularly to the long visioned investor, and also to the investor who is interested in the medium term outlook, which likewise appears favorable.

Currently, representative fire insurance stocks are temporarily depressed and can be bought at less than 75% of liquidating values, on the average, and to yield over 4%. Standard & Poor's Weekly Index now stands at 114.0 which is only some 3.0% higher than in October 1926, 20 years ago. Meanwhile fire insurance companies' assets, capital funds, premium volume, dividends, etc. are very much greater, as is brought out in the accompanying table which shows the year by year aggregates of 21 old-line companies from 1926 to 1945 inclusive.

Year—	Capital	Surplus	Unearned Prem. Reserves	Net Prem. Written	Dividends
	(000's Omitted)				
1926	$109,000	$235,066	$337,586	$373,687	$20,310
1927	115,500	301,697	340,351	366,235	23,317
1928	131,000	393,004	341,943	370,126	25,996
1929	158,019	457,674	342,768	367,093	30,281
1930	162,752	377,737	327,141	333,264	34,659
1931	162,755	228,579	303,886	298,341	35,093
1932	108,989	232,677	275,337	262,772	23,540
1933	108,989	273,909	249,054	241,576	22,603
1934	108,989	355,917	247,785	258,700	24,365
1935	111,489	488,371	250,220	263,696	30,712
1936	111,900	623,758	258,808	280,062	28,054
1937	112,400	478,324	278,614	311,003	30,306
1938	112,400	547,960	268,104	285,995	30,346
1939	118,400	573,740	278,074	302,167	32,016
1940	118,400	566,334	298,876	340,073	32,346
1941	118,400	524,302	329,712	389,212	33,636
1942	118,400	544,957	326,671	425,744	32,636
1943	118,900	651,247	337,389	397,870	33,667
1944	118,900	726,069	372,466	438,024	31,570
1945	146,489	823,292	410,039	470,564	32,174
Increase over 1926	34.4%	250.2%	21.5%	25.9%	58.4%

This table is worth a little study. It will be observed that the total capital of the 21 companies is 34.4% higher than in 1926 and that surplus is 250% higher; total capital funds (capital and surplus) aggregated $969,781,000 on Dec. 31, 1945 vs. $344,066,000 on Dec. 31, 1926, an increase of 182%. Unearned premium reserves are 21.5% higher and net premiums written, 25.9%. This is a very moderate increase, nevertheless the 1945 totals are the highest in the whole 20-year period, and this expansion has been achieved in the face of a constant lowering of fire premium rates throughout the two decades, from an average of $0.96 in 1926 to approximately $0.60 in 1945, a decline of 37.5%.

Dividends, it will be noted, are 58.4% higher, and this expansion is conservatively within the expansion of total net operating earnings, which aggregated $49,610,000 in 1945 against $28,711,000 in 1926, an increase of 72.5%.

It is of interest to observe what happened in the 1929-1932 period. The peak in surplus was reached in 1929, and in capital in 1930-31. With the stock market break, surplus shrunk rapidly and to such an extent that it had to be bolstered by transfers from capital, which explains the drop of the latter from $162,755,000 in 1931 to $108,989,000 in 1932. Capital has since steadily increased to its present figure of $146,489,000 (still below 1931), while surplus has expanded to a new peak. Unearned premiums and premium volume also declined, but have since steadily climbed.

The peak in dividend payments was in 1931; but in 1932 they were cut 32.5%. **It is significant, however, that not one of the 21 fire companies passed its dividend,** each one paid dividends and maintained its record for longevity of dividend payments.

In each year dividends were amply covered by net investment income alone, and even in 1930 and 1932, when underwriting losses were incurred, total net operating profits provided a comfortable cushion. The rapid recovery of the insurance companies from the depression is very striking.

It seems clear from an examination of the figures presented that policy-holders today are very much better protected than they were in the pre-1929 period. In 1926 the policyholders' surplus of the 21 companies aggregated $344,066,000 and net premiums written $337,586,000, resulting in a ratio of only fractionally above one. In 1945 policyholders' surplus aggregated $969,781,000 against a net premium volume of $470,564,000, which gives a ratio slightly in excess of two. This is very conservative and also indicates that the fire insurance companies as a whole have ample capital to expand their underwriting business substantially.

This whole record serves to illustrate how beautifully well managed insurance companies can ride through economic storms of great severity, and at the same time provide protection to the policyholders and take care of their stockholders.

If fire insurance stocks were worth 110.8 in October 1926, by Standard & Poor's Index, they are in October 1946, worth substantially more than 114.0 by the same index.

The record of earnings compared with dividend payments during those critical years may be of interest, and are shown below:

Year—	Total Net Inv. Income	Total Net Underwriting Results	Total Net Operating Profits	Dividends
	(000's Omitted)			
1929	$35,973	$28,382	$64,355	$30,281
1930	42,066	—2,099	39,967	34,659
1931	35,372	4,588	43,930	35,093
1932	30,893	—5,403	25,490	23,540
1933	26,631	21,625	48,256	22,603
1934	27,651	24,408	52,059	24,365

Are Labor-Management Relations Based on Economic Principles?

(Continued from page 2085)

This fact was made clear when Congress recently struck the principle of full employment from the Employment Bill. It seems to have taken the position that government is no more obligated to assure every worker a job than it is to assure every investor a profit.

Having noted what rights labor was and was not able to gain under our political system, let us see what rights it is entitled to under the purpose, mechanics, and principles of our economic system. The purpose of our economic system can be discovered from the respective functions of workers and investors.

Worker's Function Is Production

It is the function of the worker to produce goods. To that end he devotes his productive assets, his labor, manual skill, power of concentration, physical courage, experience, education training, personality, knowledge, ability, sense of responsibility, etc. to the extent required by his occupation. The value of his work is, therefore, represented by the demands his occupation makes upon his productive assets.

The first function of the investor is to assume the risk of production. A self-employed worker producing goods for exchange assumes two risks, (1) that his product may be destroyed or damaged by phenomena such as fire, flood, pests and drought, and (2) that his product may not bring a price that will enable him to buy other goods of equal value.

When a worker is employed at a fixed wage, he is protected against these risks. If his product is destroyed or sold at a loss, his employer, whether a private concern or government, stands the loss. The first function of the investor, therefore is to insure the worker against loss. He is in effect a "work" insurance company.

When a concern employs workers, it expects to be able to sell their products at a profit. It, therefore, selects to the best of its ability those products which will best fulfill the desires of the consumers and endeavors to produce them at the lowest cost. The second function of the investor, therefore, is to produce desired goods efficiently. Thus the investor serves the worker in a twofold role. As worker his work is insured; as consumer he is supplied with desirable goods.

The workers, however, do not exist to serve the investors or to perpetuate their existence. The workers have the right to insure their work through their own cooperative organizations or with their government. They have the right to say to the investors, "You are not essential. Unless your services are satisfactory and your charges reasonable, we will replace you."

Government from an economic point of view is, therefore an organization of workers to promote their welfare. The investors are employed to contribute to this end. Thus government is obligated to consider all economic measures in accordance with their effect upon the welfare of the workers.

The Government's Obligations

Specifically the economic obligations of the government are to assure every worker the opportunity of a job based upon his qualifications, a wage which will enable him to buy products of the same work value as his own, the maximum amount of desired goods or leisure, and the greatest freedom. Freedom is essential if the worker is to be able to leave his position at will to find one in which he will be most productive and content.

In order to assure the maximum output of desired goods, every investor must be offered the opportunity for profit that will compensate him for his productive risk and be given every chance to use his ability to produce efficiently. It is illogical to give a group the job of producing the maximum quantity of desired goods and then to impose regulations and restrictions that will interfere with its ability to fulfill its job.

By the mechanics of our economic system is meant the way in which it operates. Let us see how the mechanics of the system affect labor's ability to increase its purchasing power by raising the wage scale or average wage.

Suppose that every worker in the country wins a 10% wage increase thereby increasing the demand for goods by 10% without increasing the supply of goods. Under a free economy industry will increase its prices and operating profits by 10%. If we base the purchasing power of the workers and the investors on their total wages and operating profits respectively, their relative purchasing power will not have been disturbed. The workers taken together will not be able to buy a larger part of the goods produced after the raise then they were before. An increase in the average wage or wage scale does not increase labor's share of goods.

Now assume that ½ of the workers in each industry receive a 20% increase in wages while the wages of all other workers remain constant. As before this will increase the total wages of the country and the operating profits of industry by 10%. As before the workers taken together will not be able to buy a larger share of goods after the raise than they were before. Thus while the workers receiving the increase will be able to buy more goods, the others, because of higher prices, will be able to buy correspondingly less. A sweeping victory by one union may mean a sweeping defeat for all other workers. It follows from the mechanics of the economic system that the workers' share of goods cannot be increased by raising the average wage, and that to obtain more goods they must produce more.

The value of collective bargaining, strikes, and picketing as far as labor's purchasing power is concerned lies solely in the ability of these weapons to secure a larger share of goods for one group of workers at the expense of other workers. The real wages of any group at present do not represent the demands of their respective occupations on their productive assets but the strength of their unions compared with that of their employer influenced by such factors as the essentiality of their product.

It is doubtful if the average worker appreciates the unfairness of the present method of arriving at wages. He takes the position, "I have the right to strike; I am going to use this right to better myself." But is the right to strike consistent with the principles of our economic system? By the right to strike is meant that an employee has the right to associate with his fellow workers to stop the production of their product. It has nothing to do with the right of the worker to leave his job at will.

We live in a specialized society. Every worker produces at best a few products and depends upon other workers to produce most of the goods he consumes. Specialization has provided a quantity, quality, and variety of goods that each man producing for himself could not hope to have. Specialization is made possible by each man's knowledge that others are producing the product which he needs and desires. Otherwise there could be little specialization and we would be living in a primitive state. It is inconsistent with the logic of specialization to maintain that any group has the right to the products of others while refusing to produce theirs. The opposite view is the logical one. Everyone is obligated not to resort to any activity which will interfere with the production of his product. This obligation cannot be dependent upon the essentiality of the product. If Jones and Smith owe Brown $1 and $50 respectively, their obligations to pay are the same. The effect of their default on Brown does not affect their obligations. But if labor forgoes the right to strike, how will it get justice?

We have already seen that wages do not provide a medium for increasing the purchasing

power of all workers taken together. The function of wages is to assure that the goods available to workers will be justly divided among them. For each worker to get his fair share of goods, he must be paid a wage that measures his contribution to production, a wage that measures his work or the units of work required by his occupation. The units of work required by an occupation are measured by "job evaluation" which is now functioning successfully for many large organizations.

The Operation of Job Evaluation

Under job evaluation an occupation is analyzed to determine the value of each of the factors, physical effort, concentration, skill, education, training, responsibility, physical courage, ability, personality, etc. required for its efficient conduct. The values are given in points. If the points for the various factors entering into any occupation total 72 and each point represents $.02, the occupation pays $1.44 per hour. At present the basic wage or point value used by each concern varies. As a result the wages paid for the same work in different organizations often differ materially. Therefore to assure just wages for all workers, Congress should determine the national basic wage or point value.

Although the wage scale adopted will not affect the part of current production which the workers will be able to buy, it is essential in order to protect those living on savings that the wage scale adopted should be materially higher than the present one. And in view of the large national debt and for other reasons, the new wage scale should not be lower than the current one. It may, however, facilitate the introduction of job evaluation if the wage scale is raised slightly, say 5%. Congress should provide for the establishment of job evaluation standards and for the licensing of job evaluation experts, Certified Job Analysts, on the basis of examinations in the manner that CPA's are licensed. A number of universities now offer courses in job evaluation. These courses would naturally aim to prepare students for the CJA examination which would be based upon the most advanced knowledge in the field.

Review by Government

Labor and management would call upon these job evaluation experts to determine the wages for the occupations in which they were concerned. The wages arrived at would be reviewed by a government body of experts to see that they conformed with the standards laid down by Congress. Once accepted by this board they would become the legal wages. These wages would be determined by neither labor nor management nor for that matter by government, but by a scientific method sponsored by government and used by both labor and management.

The Department of Labor would publish the point values given to each factor in every occupation covered by job evaluation. This data could be used by labor and management to arrive at wages for various occupations without calling upon CJA's. In such cases the interested concern and its employees would file a description of the occupation and wages arrived at with the government for approval.

The published point values for each factor in every occupation could also be used by workers to check the accuracy of the point values given their respective occupations. Many workers are familiar with or have filled more than one job. They would compare the point values given the factors labor, skill, knowledge, personality, and so forth in their present occupations with the values given these factors for other occupations. Probably millions of workers would make these comparisons. The resulting protests and explanations should bring about the correction of any errors in job evaluation.

Union Supervision

Under the proposed procedure it would be up to the unions to see that the wages arrived at by job evaluation were paid, that good working conditions were maintained, and that the individual worker was protected against arbitrary treatment by management. Unions would have to be on the lookout for attempts on the part of management to classify their employees in occupations of lower grade and wages than those in which they were actually working.

Job evaluation has been little publicized and the layman may, therefore, believe that the task of evaluating most of the jobs in the country is nearly impossible. However, if the layman knew the present wide use of job evaluation and the great strides which have been made in developing its techniques, he would no longer subscribe to this opinion. Moreover, whatever his opinion of job evaluation, he will agree that the wages it determines will be fairer than those now in effect.

Today there are various wage scales for different sections of the country. If these scales are proportionate to the productivity of the average worker in these respective sections, there would be no reason why the basic wage should not be applied to the entire country immediately. If these different wage scales, however, arise from local conditions and not different productivities, it may be desirable in order not abruptly to disturb existing relative values to give each section a basic wage based upon its present wage scale, and then gradually raise its basic wage until it conforms to the basic wage set for the country.

Effect on Workers

In determining the desirability of a method to arrive at wages, its effect upon the attitude of the worker should be considered. At present there seems to be a general assumption that the standard of living of the working class can be raised by increased wages. Furthermore wages for various occupations are determined by collective bargaining, fact finding boards, and arbitration and mediation boards. No constant formula is used. The average worker does not know how the wages were arrived at for occupations other than his own and is not in a position to judge their fairness. He, therefore, feels that if the members of another union are given a raise, he too should get a raise. This puts it up to his union leaders to get him an increase at least as high as that won for the members of the other union. This is a normal attitude which has contributed to the number of strikes.

Under the proposed procedure the workers would be educated to the fact that they as one group cannot raise their standard of living by an increase in the wage scale, that each man's work or contribution is measured by the demands his occupation makes upon his productive assets, that the money value of each of these assets required by his job is fixed by experts chosen by his own union and approved in turn by government experts. The feeling of not being justly compensated which exists among workers today would be eliminated. Thus any increase granted to one group of workers would be assumed just, and would not be looked upon as an excuse for a series of demands by all other workers.

The following illustration will help to determine whether the present or proposed procedure can better serve the working class. Picture a country in which each worker brings his product to market where it is accepted by the investors at a value determined by government certified experts on the basis of the labor, manual skill, ability, courage, etc. required for its production. Each worker is given a receipt stating the value of his product in units of work. This receipt can be exchanged for any desired product of equal work value less 6% charged by the investors for their insurance and other services.

The legislature of that country decided to call each unit of work a "dollar." The receipts instead of being expressed in units of work were henceforth stated in dollars. A receipt formerly calling for 10 units of goods was valued at $10. As before, each worker could exchange his receipt for products of the same work or monetary value less the 6% charged by the investors.

Now let our mythical country take on the aspect of our own country. The investors as a group still get 6% of the goods produced for their services. But each investor's share depends upon the value of the receipt he gives the worker, the lower its value the larger his share in the goods going to the investors. On the other hand while the workers still get 94% of the goods, each worker's share depends upon the value of the receipts he receives for his product or work, the higher the value, the larger his share.

Each investor, therefore, tries to give the workers receipts of as low value as he can, and each worker tries to get as large a receipt as he can. There are no government Certified Job Evaluation experts and no specific rules for determining the work value of each product.

Each party employs those methods which it thinks are most opportune including the use of force and the threat of force. As a result in many cases there is no relation between the value of the products delivered and the value of the receipts issued. It is only accidental when a worker's receipt measures the value of his work. Many workers, therefore, receive excess compensation at the expense of the other workers. This is also true of investors.

Furthermore the bargaining between worker and investor sometimes takes weeks. While this bargaining is going on, the worker often stops working reducing, thereby, the amount of goods produced. This at times forces other workers who depend on his products to stop work. As a result the amount of available goods declines. The investors, moreover, spend a great deal of time and effort preparing for these bargainings which they could have otherwise used to promote the efficient production of goods.

Of the many people who have studied this proposal, none has questioned the reasoning nor denied the truth of the explanation that the purchasing power of all workers as a unit cannot be increased by raising the wage scale. No one questioned that every individual has certain assets, strength, endurance, manual skill, ability, etc., and that his contribution is measured by the demand the production of his products makes upon these assets. No one has denied that job evaluation is the best method we know of for determining the value of the productive assets which every worker devotes to his job. No one denies that wages based upon job evaluation are fairer than wages arrived at by present methods, bargaining and strikes. Yet many people have objected to this proposal.

Objections to the Plan

These objections can be summarized, "This plan would enslave the worker; it would deprive him of his present status which was gained after years of struggle. If you are going, moreover, to have wages fixed by government, it will soon fix prices. Our democracy will then have given way to a totalitarian system." The only liberty the worker would lose through job evaluation would be the liberty to gain a wage higher than that scientifically determined just by job evaluation.

The people who take the view that government fixing of wages will lead to a totalitarian regime do not make any distinction between job evaluation as a means of determining wages and their determination by a government body on the basis of opportuneness and expedience.

We have seen that the investors' second function is to serve the consumer. Under our economic system it is the function of the consumers to determine by their purchases what goods shall be produced and what organizations shall produce them. Assuming fair competition and free consumers' choice, the selling price of every product will measure the relative value the consumers place upon it. Under price fixing the government and not the consumer determines the value of the various products. Government price fixing, therefore, deprives the consumer of their function and right. Thus the fear that job evaluation will lead to price fixing is not justified under the principles of our economic system.

Other Reasons for Evaluation

There are a number of other reasons why job evaluation should be employed to determine wages. It would destroy the false concept fostered by Communists that there is a basic antagonism between the working and investing classes. It would promote foreign trade, fair competition, and the efficiency of management. It is essential for sound money, full employment, the maximum output of goods, and to deprive industrial and labor leaders of their need and power to interfere with the just and efficient conduct of our economic system.

Switzerland and U. S. Conclude Trade Pact

(Continued from page 2087)

The Swiss authorities will contact possible Swiss exporters who will make direct offers to OMGUS through official channels. If and when an agreement is reached between OMGUS and the Swiss exporter, the Swiss exporter will request an export license from the Swiss authorities, and a license from the Swiss National Bank covering the exchange of dollars into Swiss francs to pay for the export. If both are granted, copies of both licenses will be forwarded by the Swiss exporter through channels to OMGUS. Upon receipt, OMGUS will conclude the contract with the Swiss exporter and will make payment by issuing a payment order in Swiss francs in favor of the Swiss exporter, drawn on the Swiss National Bank. This payment order will be honored by the Swiss National Bank to the debit of the account of OMGUS with the Swiss National Bank in U. S. dollars, within the amount of the available balance, at the day's buying rate for U. S. dollars, on the strength of the license as issued.

3. Correspondenee will ordinarily be channeled through the Office of the Commercial Attache of the U. S. Legation in Berne.
4. Visits of Swiss businessmen interested in purchasing goods from the U. S. Zone of Occupation will be arranged by OGMUS in the light of over-all policy.
5. Rail transportation in Germany of exports to and imports from Switzerland is an OMGUS responsibility.

II. Account with the Swiss National Bank

1. The Swiss National Bank will open for OMGUS an account in U. S. dollars, not bearing interest. This account will be credited with payments of Swiss importers for German goods and with payments for German services. The Swiss National Bank will notify OMGUS of the payments received. This bank statement will contain the following information: amount, name of Swiss debtor, name of German supplier, OMGUS contract number and nature of transaction involved. The German supplier will be paid by OMGUS in marks according to OMGUS regulations.
2. The balance of this account will be at the free disposal of OMGUS.
3. The opening of this account will be subject to approval by Washington. This approval will be requested by OMGUS.

III.

1. During the meeting import and export lists were discussed in detail and information was exchanged as to present availability of goods as well as existing possibilities for processing.
2. It can be stated that all major problems were discussed in a spirit of great willingness to understand difficulties on both sides. The basis was laid for the implementation of concrete proposals for the development of exports to and imports from the U. S. Zone of Occupation of Germany and Switzerland.

(Signed) Paul Keller,
Chief of Swiss Trade Delegation

(Signed) William H. Draper Jr.,
Brigadier General
Director of Economics, OMGUS
Jack Bennett,
Director of Finance, OMGUS
M. S. Szymczak,
Civ. Chief, Trade and Commerce, OMGUS

Berlin, Germany,
Oct. 9, 1946.

Thos. Mattson With Nat'l Sec. & Research

H. J. Simonson, Jr., President of National Securities & Research Corporation, 120 Broadway, New York City, announces that Thomas E. Mattson has been made a member of the investment committee. The committee is responsible for the investments of the various funds managed. Mr. Mattson, an analyst and investment councelor, was formerly with the Guaranty Trust Co., Eastman, Dillon & Co., and other financial houses.

E. F. Hutton & Co. Adds Three to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William P. Herbert, Jr., Edmund W. Clark and Thomas M. McInerney have become associated with E. F. Hutton & Co., 623 South Spring Street. Mr. Herbert in the past was manager of the trading department for the local office of E. H. Rollins & Sons and was head of Herbert-Reynolds Co.

Canadian Securities

By WILLIAM McKAY

It is a Canadian characteristic to view the future with somewhat somber caution. This trait can no doubt be traced to the pronounced Scottish pattern in the Dominion racial fabric. On the one hand this tendency to foreboding assures that the problems of the future will be tackled with proper respect. On the other hand, an appraisal of Canadian prospects from a Canadian source is apt to be misleadingly pessimistic.

During the war fears were constantly expressed that the Dominion would be hard put to meet its obligations to this country. As it ultimately transpired Canada found itself at the conclusion of hostilities with almost an embarrassing credit balance of U. S. dollars. Similarly at the present time Canadian opinion is inclined to view with some misgiving the ability of Dominion commerce to earn an adequate total of hard currencies in the postwar period.

In the event of a world-wide depression of course, Canada, together with all countries that rely on the marketing of primary produce, would be faced with a serious exchange problem. However, unlike, most countries in this category Canada has developed an industrial strength which promises ultimately to eliminate her dependence on essential imports. At the worst, the Dominion would be obliged to adopt a policy of self-sufficiency, and would be forced to exploit domestic resources in place of imports. In the long run this could prove to be a blessing in disguise. While it is now expedient to import such essentials as coal, iron, and oil, the tremendous undeveloped domestic resources in these commodities remain unexploited. Furthermore even in a period of direst depression, Canada has a virtual monopoly in certain export fields such as asbestos, nickel and forestry products which would fall in the category of essential imports for foreign account. Moreover other commodities can be cited such as base metals, gypsum, uranium and other precious metals, of which Canada is the world's lowest cost producer. In this field also the Dominion, under the worst conditions would undoubtedly still continue to maintain a fair flow of exports.

It would appear, however, that before world production can meet the existing demand and in addition threaten to exercise a deflationary influence, there should be an interim period ahead of prosperous activity in international trade. In view of Canada's position as a low cost producer of an imposing variety of essential commodities and her relatively stable labor situation, the Dominion would share to an important degree in any boom in foreign trade. Likewise if the present efforts to bring about a relaxation of trade barriers progress beyond the lip-service stage, Canada's competitive ability to produce will be turned to even greater account.

During the past week the action of the Foreign Exchange Control Board in easing the restrictions governing dealings in Canadian securities came as a welcome indication that the Dominion authorities are thinking in terms of lesser rather than increasing governmental control. As a practical matter, however, the effect of the new ruling is merely to give official blessing to transact certain security arbitrage operations directly instead of deviously as was previously the case.

The announcement had little effect on the market and the external section continued dormant. Abitibi 5s of 1956 eased to 98¾ and at this level appear attractive whether or not the discussed refunding materializes. Internals were likewise dull and the paper stocks receded after their previous advance following the announcement of the $10 rise in newsprint. Free funds after easing to 4⅛% subsequently rallied to 3⅞%.

There still appears little likelihood of any early revival of activity in any section although at current levels the paper and base metal stocks would appear to be undervalued.

Canada Eases Securities Transactions

Sales of domestic Canadian securities now permitted if proceeds are simultaneously invested in another security of same type or in securities payable in United States currency.

According to the Canadian Press, the Foreign Exchange Board of Canada has announced new rules governing transactions in securities by both residents and non-residents of Canada.

Previously, a non-resident was not permitted to sell common or preferred stocks in Canada and invest the proceeds in securities of the Canadian Government. This prohibition has been removed. A non-resident can now sell a United States or Canadian security in Canada where the proceeds are being immediately reinvested in Canadian dollar stocks or bonds with a maturity of not less than three years.

Hitherto a Canadian resident has not been permitted to sell a Canadian domestic security in New York and buy in exchange another Canadian domestic security — one payable solely in Canadian dollars—although reinvestment in securities payable in United States dollars had been allowed. Permits are now granted for the sale of a Canadian domestic security and the simultaneous investment of the proceeds in another security of the same type as well as in the securities payable in United States currency.

Willis Burnside Co. Now A Corporation

Willis E. Burnside & Co., 30 Pine Street, New York City, is now doing business as a corporation. Officers are Willis E. Burnside, president; Alton Blauner, vice-president; William J. Tetmeyer, vice-president. Mr. Burnside was formerly proprietor of the firm, with which Mr. Tetmeyer was associated as trader.

Constantinos Pateras

Constantinos A. Pateras is engaging in the securities business from offices at 4-6 Platt Street, New York City.

"Federal Usurpations in Attacking Inflation Dangerous"

(Continued from page 2073)

They have the right to insist on full cash payment for all securities purchased in the open market, a condition that confronts no other buyer in any other market. They have the right to regulate installment credit. Mr. Eccles, the present Chairman of the Board of Governors of the Federal Reserve System, is now demanding a change in the capital gains tax on the ground that the current levy of 25% is inflationary.

"The irony of all this is that it ignores carefully the very causes which have been responsible for such inflation as this country has suffered to date. Mr. Eccles, for example, does not suggest a return to the gold standard. Nothing is more likely to compel sound fiscal behavior and prevent inflation than a return to the gold standard. It imposes a definite limit upon currency issue and credit expansion. Furthermore, it sounds a loud, automatic alarm whenever the conduct of the finance minister is such as to threaten the integrity of the currency or the solvency of the government.

"Men like Bowles and Porter who have been sounding off with grim jeremiads about the possible consequences of OPA decontrol, say nothing about the effect of complacent labor policy on rising costs and rising prices. None of the champions of greater bureaucratic power suggests that subsidies be removed from agriculture and other commodities, that postwar guaranteed price floors for farm products be cancelled, or that the Federal agencies now bidding in American markets for scarce commodities with the funds and the credit of American taxpayers be barred until such time as supplies become adequate and domestic prices reasonable.

"An honest purpose to control inflation would also call for an abandonment of the specious philosophy that governmental deficits are salutary and a huge government debt a national asset. Such an honest purpose would furthermore try to re-educate the public on the fruits of thrift, both personal and governmental. It would seek furthermore to restore to the individual full responsibility for his own economic welfare.

"There is no desire to minimize inflation. It is a grave evil accompanied by economic disturbance and causing great injustice as between various groups in the community. These evils have been amply explored and expounded in the classrooms of our universities. Great as they are, they have never been fatal. Our own country was born in the midst of a grievous inflation in which the depreciation of the currency became a by-word for worthlessness. Nevertheless, we survived and a new and great nation was born amidst economic pangs that were disturbing but, as events proved, certainly not fatal. Today it seems that the country through its political administration is denying many of the essential liberties guaranteed by the Constitution and is at the same time failing to curb the very inflation which has been the pretext for bureaucratic usurpation."

Speaking at the Convention of Morris Plan Bankers Association at Virginia Beach on Oct. 22, Dr. Lawrence warned that "the institutional investor may be committing a grave error in trying to anticipate the effects of inflation. He is apt to be guided by the classic experiences of the past which have been expounded in classroom and text."

"In line with these apparent lessons of the past," Dr. Lawrence commented, "the institutional investment manager is apt to assume that a very great increase in the public debt plus an accompanying increase in currency and bank credit is bound to result in a general rise in prices. In consequence, he tries to place his investment commitments in situations which will appreciate sufficiently to assure (1) the satisfaction of dollar commitments and (2) if possible, the protection of the real substance of the fund; in other words, its purchasing power.

"It is this conviction which seems to justify a search for things in the ground, real estate and commodities, because all these presumably will vary in price as the general level rises. However adequate a safeguard such commitments may have been in the past, they can be applied today only with the most careful discrimination.

"It must be obvious to any student of investment that coal, although a tangible, highly useful substance in the ground, is today hardly a good hedge against inflation. Similarly, gold, a precious metal of great value, may encounter conditions where a security commitment in its future may prove costly.

"The fact is that inflation in the United States, insofar as it has taken place in the last decade, has been a politically selective inflation, notable more for its departure from past patterns than its conformity. The power of the government has been used deliberately to promote the interests of groups which contain large voter masses, such as labor and agriculture. In both instances, the one wages and the other farm prices, the value of the dollar has depreciated more than it did during the First World War. There is no evidence suggesting any change in the political direction of inflationary forces. It would be a great mistake to assume a Republican victory in November would alter this fact.

"In his consideration of investments, the prudent manager will lay great stress upon labor factors and controls, the former tending to raise costs and the latter to depress prices. The railroad industry unfortunately illustrates both hazards. It is subject to high labor costs and has a rate structure firmly controlled by the ICC. This does not mean that the entire rail field should be abandoned by the institutional investor. There are roads whose credit will be good even if the country runs into a protracted depression. It is necessary to emphasize that the investment man can no longer confine himself to an examination of balance sheet and income statement figures and past records. He must give careful consideration to factors which formerly have been of lesser and certainly not controlling importance.

"It is possible that the discussion of inflation and its impact on government debt may undermine confidence in government bonds. There is no good ground at the present time for such a loss of faith in government obligations. It is true that the debt is huge and that fiscal thinking has been unduly influenced by theories which violate all precepts of sound finance. The fact is that the country possesses enormous economic power and can take a great deal of punishment. In boxing parlance, it has 'whiskers' and can take quite a beating. The country is entirely capable of carrying its present debt load and there is no immediate danger of a substantial rise in interest rates or a correlative decline in bond prices."

Only a Republican Congress Can Check Inflation

(Continued from page 2080)
of Rolla McMillen. He has made an outstanding record in Congress in a short time and represents what I know to be the thinking and philosophy of the people of this District. I urge strongly that you elect the Republican candidate for Congress at large, Mr. Wm. G. Stratton.

The country today is in the midst of a serious inflation brought about by the policies of the Truman Administration. Much more inflation is threatened as a result of those policies. Already according to the Bureau of Labor Statistics, the cost of living, which in January, 1946, had increased 33% over prewar, has now reached 45% over prewar. The average hourly wage rate of factory workers has increased still more, approximately 58% over prewar. In view of the fact that there has been no increase in the productivty of labor, this means that labor costs (and labor is at least 70% of all cost in the last analysis) have increased more than prices: and the price of manufactured goods will have to be adjusted still more upwards if they are to be made at all. This forces further wage increases, a rising spiral with strikes and less productivity. Even if we can check this rise, it will be very difficult to achieve stability for some time to come.

Truman Economic Policy

The whole situation is due directly to the Truman economic polices. Immediately after the war the President removed all wage controls and proclaimed the doctrine that wages could be increased while prices were arbitrarily held down. He encouraged the most general increase in salaries, as well as wages, which the country has ever seen and these now can never be adjusted downwards.

In a very short time the fallacy of the Truman policy was admitted by the OPA itself which granted extensive price increases in basic prices like that of steel, which in turn increased the price of manufactured goods.

Then on July 1 at the behest of the PAC and for politcal purposes, the President vetoed the Price Control Extension bill and took all controls off prices for 30 days. Of course they went rapidly to adjust themselves to costs. The President justifed his veto by claiming that the provisions of the bill would raise the price of manufactured goods. To prevent this he took the ceilings entirely off the market-basket items which really made a difference to the housewife. Manufactured goods went up anyway, and so did raw materials. Now, of course, it is impossible to roll them back. The effort to do so in the case of meat has simply resulted in no meat.

The net result is a great inflation which in the end will certainly reduce the value of the dollar by 40%, and thereby reduce the purchasing power of all bank deposits and life insurance policies. Of course the New Deal did this once before when it reduced the gold value of the dollar. Thrift and saving has always been contrary to the philosophy of New Deal spending. The ultimate inflation resulting from this war will be worse than that in the World War when there was almost no price control at all. Besides hitting those who have been thrifty, it hits with particular force the white-collar group. Factory workers have more than made up the difference. Salaries in the lower income class move much more slowly, if at all.

Inflation From Liberal Spending

This inflation has been substantially encouraged by the liberal spending polices of the Administration. It is hard to think of any project for spending money which has not been endorsed by the President. He has recommended billions for public works, including every creek in the United States; billions for the compulsory health program, billions for Social Security, billions for UNRRA, billions for foreign loans, billions for terminal leave and billions for more employees. The figures show that in July, 1946, 11 months after V-J Day, there were still 2,711,165 employees on the Federal payroll. This compares to less than a million when the war started, and to 563,000 under the last Republican President. There were 118,500 employees in the State of Illinois. Practically all of the decrease since the war has occurred among the civlian employees of the War and the Navy Department and outside of that Department there has been a steady increase.

The total expenditures for the year which began July 1, almost a year after V-J Day, is $41,500,000,000. This does not include $1,800,000,000, mostly in gold, to be transferred to the International Monetary Fund. I don't understand why it must not be counted since it is the property of the Government and is being transferred to an international organization over which we have no control. Furthermore, the estimate for expenditures by the Export-Import Bank seem to me too low since I understand all of its lending power of $3,500,000,000 is already allocated. The Treasury estimates a deficit of $1,900,000,000 for the year, but again its estimate of tax receipts seems excessive. I predict that properly calculated, the deficit will be at least $5,000,000,000 by the first of next July. Of course this creates the purchasing power out of thin air and with a limited supply of goods, forces further price increase.

Furthermore, the tax burden is grossly excessive today on all classes, particularly on the low income groups. If we add ten billion dollars of State and local taxes to 38 billion dollars of Federal taxes, we find that the tax burden is nearly one-third of the national income. The inevitable effect of such a burden is to discourage initiative, progress and hard work. In the effort to escape the burden there is a constant pressure towards inflation which reduces the burden temporarily, but leads ultimately to disaster.

In my opinion the budget should be reduced to approximately $25 billion. This can be done, but it can only be done by a Republican Administration which does not believe in the theory that more spending is the solution of every problem.

This figure of $25 billion can be reached within the estimates of the War and Navy Department for a peacetime military force, but it can't be reached unless we stop passing out money to foreign nations. Such a budget would permit a reduction in taxes so that the total tax burden would be less than one-fourth of the national income.

Foreign Lending Program

The foreign lending program threatens a continuation of inflation in a dangerous form. The British loan amounts to $3,800,000,000; the Export-Import Bank loans to $3,500,000,000, with more to come; the Bretton Woods Monetary Fund takes $2,750,000,000; the International Bank can sell guaranteed securities in this country up to $7,500,000,000; we have given UNRRA $2,750,000,000. Thus over a period of three or four years we are making available to foreign nations, without any immediate return, $20 billions which may well be spent here during the next four years at the rate of 5 billion a year. This kind of buying, of course, will build up an artificial export trade and at the same time force up prices for many types of goods needed in this country.

This seems peculiarly foolish because we should have learned our lesson in the 20s. At that time we loaned large sums abroad, for the most part from private sources. We built up an artifical export business. Then in the 30s, when it became apparent that these loans would not be repaid, all lending stopped. Exports collapsed and wide unemployment resulted in the export industries which was one of the substantial causes adding to the severity of the depression.

The same situation exists today as in the 20s, except that we are loaning the taxpayers' money. It is unlikely that these loans will ever be repaid. If they are not stopped entirely, they will be greatly cut down in rate, and when that happens we face the collapse which follows any artificial inflation of business by unwise credit policies.

The President has posed as the enemy of inflation while pursuing all of the policies calculated to bring it about. Price control can no more check the flood created by those policies than you can sweep back the sea with a broom. Paul Porter says that people must choose between steaks and stabilization. Unfortunately, we have neither. For price control is indeed a weak reed to lean on when these vast forces are in operation.

Even if a Republican Congress is elected it will face these unpleasant results for several years, but only if a Republican Congress is elected can we hope to check the flood of spending, and begin a stabilization which can prevent a serious collapse.

Lorimer Davidson Now With E. R. Jones & Co.

BALTIMORE, MD.—E. R. Jones & Co., 221 East Redwood Street, members of the Baltimore Stock Exchange, announced that Lorimer A. Davidson has become associated with them. Mr. Davidson assumes his position upon receiving separation from the Canadian Army where he held the rank of Major in the Royal Canadian Artillery. For the past three years he has served as a General Staff Officer on the Canadian Joint Staff Mission (Washington). Prior to being commissioned in the Canadian Army in 1940, he had 18 years of experience in the investment banking business in New York. Mr. Davidson, with his wife and son, reside in Washington, D. C.

Thornton, Jr., Partner In Thornton, Mohr

MONTGOMERY, ALA.—J. Mills Thornton, Jr., has returned from the Naval Service and has been admitted to partnership in Thornton, Mohr & Co., First National Bank Building.

Mr. Thornton was serving as Lieutenant-Commander upon his release from the service and served over two and one-half years overseas as Supply Officer of a transport and cruiser. His last duty was as Officer in Charge of the Contract Termination Section of the Bureau of Supplies and Accounts in Washington, D. C.

Schoff & Baxter

BURLINGTON, IOWA—R. W. Baxter is engaging in the securities business under the firm name of Schoff & Baxter from offices in the Tama Building. In the past he was a partner in Schoff & Baxter.

Securities Salesman's Corner

By JOHN DUTTON

Tried and Found Wanting

There is an old adage that when a small man is given authority he sometimes becomes unbearable; but when a big man acquires such a position, it makes him humble. Last week we saw the beginning of the end of a nation's blind faith in what has been termed governmental control of our economy. The people now understand that small men in Washington (no matter how arrogant) can not put meat on their tables. They saw these little men try one plan and then another. They heard them rant, listened to them plead, and even witnessed the confusion of the planners themselves, when in their own impotence they finally said, "We give up, but it's not our fault that the little pigs, the sheep, and cows won't listen to us, it's some **other** politicians who have convinced them not to come to market." **Meanwhile the law of supply and demand reigns.**

Those of us who are engaged in assisting our fellow American citizens as to how, why, and when, they should invest their savings in the productive forces of this nation have won a victory for freedom in what happened last week. BUT WE DESERVE NO PART OF THE CREDIT FOR THIS VICTORY. We have done little to educate—or to lead. Our industry is the recipient of untold favors in this free land of ours, but that is because our founding fathers established a very resistant form of government that has prevailed and survived the onslaught of many unsound, totalitarian ideas which have been inculcated into the thinking of our people, and the actions of our government ever since 1932. We have done practically nothing to preserve FREEDOM. We have allowed unsound slogans to mesmerize the majority of our people: "Put human rights above property rights." Do you remember that one? The believers in statism and government control of our economic existence who said this KNEW ONLY TOO WELL THAT ONCE YOU TAKE PROPERTY, YOU TAKE THE BODY AND SOUL WITH IT. But did any one of our existing organizations in this business ever challenge such a virus and expose the fallacies upon which it was based? Did any of our existing dealer, or broker associations, ever stand up for good public relations and defend the ECONOMIC JUSTIFICATIONS which give breath and life to this business of supplying capital for industry, and free markets for the ownership of that industry. Time after time, little men in government have smeared WALL STREET. The Wallaces, the Peppers, yes, even the very top men in our government have been yowling for years, and always its been the same tirade. "Business men are bad . . . business men can't be trusted . . . business men will exploit you . . . business men want to starve you . . . business men are greedy, they want the highest profits and pay the lowest wages, LEAVE IT TO US . . . WE WILL HELP YOU. WE HAVE A MONOPOLY ON HUMANISM!"

All this while those of us who are in business, and in Wall Street, have been taking it on the chin. We've never answered back. Some of us have been afraid to do so because we couldn't trust these little people. They have power to pry into our private lives, or charge us with tax evasion, and even if we are innocent, they can plague us with endless annoyances and investigations. Or they could send their clerks into our offices and disrupt our affairs. So we haven't answered back.

But times are changing. The little men are becoming snarled in their own confusion. There is a story from the old Testament known as The Tower of Babel. Do you remember how the builders thought they could construct a man-made tower that would reach to Heaven? They were small men too and they failed. It is the way our present crop of small men are failing now. BUT THE FOUNDING FATHERS OF THIS NATION WERE NOT SMALL MEN. . . . THEY BUILT SO STRONGLY THAT EVEN THE INDIFFERENCE AND TIMIDITY OF THOSE OF US WHO UNDERSTAND FREEDOM, AND WHO WOULD NOT FIGHT FOR THIS FREEDOM, CAN HAVE ANOTHER CHANCE TO HELP BUILD A BETTER AMERICA. When these small men are gone from public office WILL WE HAVE THE COURAGE AND THE CHARACTER TO HELP OUR FELLOW AMERICANS TO UNDERSTAND ONE TRUTH? **That material well being is a personal thing . . . that individual freedom is greater than security and that wealth sufficient for all is here in this land of ours, providing we WORK for it.**

Chinese Communism—A Menace to World Peace

(Continued from page 2074)

Communism versus Freedom

Few would contend that Communism and political liberty are mutually compatible. The Communist Party, by nature of its inner logic, cannot and will not tolerate rival parties. The economic democracy of which it often boasts involves totalitarian economic planning that entails the suppression of economic freedom. Since economic freedom of choice and political liberty are really inseparable, Communism is the antithesis of the democratic system. Communism in China stands, therefore, in opposition to the development of political democracy as well as a liberal economy.

This is not to affirm, of course, that the present Chinese Government is democratically constituted or that the present economic program of the Kuomintang is not leaning toward increasing control. But as we are concerned with the possibility of China's development to a full-fledged democracy, we should not allow ourselves to overlook the fundamental fact that the doctrines of the Kuomintang as a Party are perfectly compatible with the requirements of a political democracy as well as of economic liberalism.

In the years immediately before the War, a liberal economic program as an instrument of government policy, was clearly discernible. It was interrupted by the War and its full resumption at present is prevented only by the unsettled political situation, both domestic and international.

The Kuomintang and the Communists

The principles laid down by Dr. Sun Yat-sen, from which the Kuomintang has invariably derived its fundamental approach to China's problems, are capable of a liberal interpretation. So far as these principles seem to indicate a socialist approach in the economic field, which in the ultimate analysis would indeed be contrary to political liberty, this was no more than the result of a temporary *mariage de convenance* between the Communists and the Kuomintang at the time when Dr. Sun expounded his theories. If only there were an interval of peace without the constant menace of an independent army owing allegiance to a political party which knows no tolerance, the greatest obstacle to the development of China toward fullest guarantee of political liberty in the economic field would be removed.

The fundamental difference between the Chinese Communists and the Kuomintang lies in the fact that the former are ideologically anti-democratic and inimical to economic freedom of choice, whereas the latter, though by no means an ordinary political party within a democratic country, is, nevertheless, on the whole democratic in outlook.

In other words, given the most favorable circumstances, the Kuomintang would eventually relinquish one party rule and abandon economic collectivism, whereas, given the same favorable circumstances, the Chinese Communists would make a totalitarian state of China.

Democracy as an Interlude

It is true that the Chinese Communists now speak of a "new democracy," the essential features of which have been outlined in a pamphlet by Mr. Mao Tse-tung, chairman of the Chinese Communist Party. But it is necessary to inquire into the real character of this "new democracy." According to Mr. Mao, political democracy in the Western sense is no more than the first stage of the Communist program. It forms the minimum requirement of the policy of the Communist Party.

In the long run, however, the goal of the Chinese Communists is the establishment of a socialist state. Mr. Mao further states in this political tract that there are certain points which the intermediate program of the Communist Party and the Three Peoples' Principles of the Kuomintang have in common, and that, therefore, it is possible for the two parties to join forces.

We must bear in mind, however, that Mr. Mao's "now democracy" was published in 1940, at a time when Japan was indulging in aggressive warfare in China and when Soviet Russia was not yet allied to the Western Powers and was, therefore, interested in the continuation of Chinese resistance to Japan, which no doubt served to weaken the latter.

The period of collaboration between the two parties in China was clearly defined by Mr. Mao from the outset as limited. Is it then impossible that, in view of the changed international situation and a clear orientation of Soviet foreign policy, the Chinese Communists have now seen fit to proceed to the second stage of their avowed policy?

It is well to remember that for the Communist Party, expediency is the sole criterion of political tactics. Besides, in reverting to a policy of non-cooperation with the Kuomintang, the Communists are not really sacrificing any of their principles. The much advocated "new democracy," like the N. E. P. episode in Soviet communism, is a mere interlude dictated by expediency.

Agrarian Reform

One of the main reasons why foreign opinion has often taken the Chinese Communists for pseudo-Communists or agrarian radicals is the land reforms carried out by the Communists in areas under their control. The Communists have, from time to time, changed the actual methods adopted in carrying out their land policy, and political expediency has invariably been the factor determining the methods employed at any time.

In the years prior to the "Long March" from Kiangsi to the northwest, the Communists adopted the policy of confiscating the land of "large" landowners as well as the physical liquidation of the latter. This policy was continued in the first years of their rule in the so-called Shensi-Kangsu-Ninghsia border district. It was a policy of outright confiscation and liquidation, but it was toned down in 1937 with the outbreak of the Sino-Japanese conflict, and the explanation of this "retreat" from orthodox methods was that, otherwise, the dispossessed landowners might go over to the enemy.

According to Mr. Mao's "new democracy," the dispossession of "large" landowners in the initial period of the Chinese Communist revolution is to proceed in such a way as may be dictated by necessity. That the last phrase is capable of diverse methods of interpretation is only too clear. At any rate, the Communists announced themselves, in 1944, that so far as their land policy was concerned, they had not yet decided on the degree of radicalness for the future.

In trying to understand the part agrarian reform plays in the Communist program as well as the good impression the practical results of their policy have made on outside opinion, we have to bear two things in mind. In the first place, we must realize that the equalization of land ownership is in fact one of the major tenets of the economic policy of the Kuomintang. Insofar as the Kuomintang had failed to bring about this aim in the greater part of China, it was at least partly due to the fact that it was less unscrupulous in choosing the methods for this purpose. In the second place, we should bear in mind that whereas to a certain extent the Kuomintang may be accused of inefficiency in carrying out land reform, it at least recognizes that the economic problem of China cannot be solved by land reform alone.

Industrialization

The major problem facing Chinese economy is the utter poverty of the population. This poverty cannot be ameliorated without industrialization. So far as this aim is concerned, however, the Communists have no concrete program to offer. Their emphasis is on the sub-division of the "cake" and not on making the cake bigger.

Totaliarian economic planning, which is inherent in the Communist creed, would entail the diminution of economic welfare in all circumstances. The industrialization of China after the Soviet pattern at this time would, moreover, entail inestimable human suffering, as the belt cannot be further tightened without producing large-scale famine and starvation.

The Impossibility of a Lasting Coalition

If the above argument is correct, the logical inference is that there is an unbridgable gap between the ideologies of the Kuomintang and the Communists respectively. This means that no coalition government composed of the two parties can endure. In view of the fact that the Chinese Communists now possess an independent army, it is further obvious that they would not attempt to bring about a "revolution by consent."

The only way in which the Chinese Communists may be converted to political struggles on platforms within a constitutional framework is the removal of their armed forces. To attempt the establishment of a coalition government as such is bound to fail. Besides, in trying to mediate between the two parties, the United States has no means of exerting pressure directly on the Communists. She can only bring pressure to bear on the Kuomintang or offer it encouragement, in one form or another, as disguised and indirect coercion on the Communists. Admittedly, mediation in this manner cannot succeed easily and, even if it did, the result would be no more than a temporary military truce.

Truce, but Not Peace, as Communist Aim

The Chinese Communists claim to be the second-largest Communist Party in the world and to have under their control more than 100 million people. But, whereas there is a central core of fervent Communists, it is more than doubtful that the majority of the Chinese Communists are convinced Marxists. Most of the people in the Communist camp have joined it because they are opposed to the Kuomintang and because the Communist Party, possessing a large army, constitutes an effective opposition.

The peasants who comprise the Communist army are easily coerced or cajoled and, because of their ignorance, can be easily indoctrinated. Poverty breeds discontent and discontent can be exploited to the advantage of the Communist Party.

For this very obvious reason the Chinese Communist Party, as a militant group intent on seizing power, cannot be sincere in its profession for peace. For, if there were real peace the Kuomintang would be in a position to reduce military expenditure, thereby putting a brake on monetary inflation, and to lay down the foundation of economic reconstruction. On the other hand, by preventing the establishment of real peace and the granting of large foreign loans to China, the Communists make it impossible for the present government to embark on a program for economic recovery and the raising of living standards. The formula is a simple one: Prevent your rival from initiating a real program of reform and reconstruction. Discredit him for his inability to do so. Exploit the social discontent thus generated and expand your own power.

This does not mean, however, that the Communists would object to a temporary truce. In fact, a temporary truce is desireable because it affords them the opportunity for political infiltration under the unstable conditions which inevitably accompany the absence of real peace. Such a truce is all the more desirable to the Communists if and when, in view of the military and international situation, a breathing space is required.

The experience of General Hurley in the early negotiations is now being re-lived by General Marshall in his efforts at mediation. While some of the Kuomintang diehards no doubt have to share the blame for the failure to reach an agreement up to this day, the fundamental attitude of the Chinese Communists really underlies the impasse.

The Way to Peace

The only effective way of inducing the Chinese Communists to come to terms and to operate as an ordinary political party is to promote economic recovery in China generally, and to advance social justice and equality. Two essential factors are involved in this line of approach.

First, there must be large foreign loans to the present Chinese Government. Secondly, there must be thorough reforms within the Chinese Government. It may even be desirable to arrange foreign loans in such a way as to have internal reform attached as a condition. Since the program of recovery and reform, when carried out, will detract many a man from the Communist camp, it must be pushed forward without delay and in spite of Communist opposition. While this program is being carried out, the Communist army must be isolated in such a manner that it cannot obstruct the execution of the program.

The above proposal requires daring statesmanship on the part of all who are interested in the development of political democracy and economic liberalism in China. The future of China, similar to the disposition of postwar Europe, is inseparably connected with the fate of man. The struggle between totalitarianism and the free man is already fairly advanced in China.

If the responsible statesmen of countries able to act should shrink from the unpleasant necessity of facing the true situation squarely, the present disturbances in China might be written in history as the beginning of the Third World War—provided, of course, that there will be any historians left.

BEECH-NUT PACKING COMPANY

Reports for nine months ended Sept. 30:

	1946	1945
Net profit before federal taxes	$3,249,641	$4,460,569
Estimated federal taxes	1,150,000	2,895,000
Net after taxes	*$2,099,641	$1,565,569
Earned per share on 437,524 shares	*$4.80	$3.58

*Net earnings for the first nine months of 1946 include net profit of $507,508, equal to $1.16 per share, resulting from the sale of securities held by the Company.

Dorsey Richardson V.P. Of Inv. Cos. Assn.

The National Association of Investment Companies announces

Dorsey Richardson

the election of Dorsey Richardson, Vice-President of The Lehman Corporation, as Chairman of its Administrative Committee for the fiscal year ending Sept. 30, 1947. Merrill Griswold, Chairman of Massachusetts Investors Trust, and Hardwick Stires, general partner of Scudder, Stevens & Clark, were elected as the other members of the Committee.

Hanson Director of Investors Stock Fund

MINNEAPOLIS, MINN. — Eugene B. Hanson, Vice-President and Director of Northern Finance Corporation and Minneapolis Securities Corporation was elected a director and member of the investment committee of Investors Stock Fund, Inc., E. E. Crabb, Chairman of the Board, announced.

Mr. Hanson was formerly with Smith, Barney & Company, investment bankers, and a Vice-President of J. M. Dain & Company of Minneapolis. He succeeds W. Hubert Kennedy who resigned as a director of Investors Stock Fund, Inc. to become a Vice-President of the First National Bank in Minneapolis.

Investors Stock Fund, a mutual investment company with 5,000 shareholders began operations in July, 1945 and now has total assets of $7,300,000.

Honor Ferriss, Wagner

DETROIT, MICH. — Ferriss, Wagner & Miller, Buhl Building, members of the Detroit Stock Exchange, were honored for having completed fifteen years of continuous service on the local mart.

The Exchange in a congratulatory message pointed out that members of the firm have served the Exchange in every important office and on nearly every committee and had been an important factor in its progress.

Richman & Co. Formed

BROOKLYN, N. Y.—Aaron W. Richman has formed Richman & Co. with offices at 50 Lefferts Avenue. Mr. Richman was previously connected with Luckhurst & Co., Inc.

Scouting the Economic Front

(Continued from page 2083)

the duplicity and plausibility of the enemy's program. Here is a tragic paradox — Communism which is the worst thing that can happen to the masses seems to them their brightest hope, while Private Enterprise which is the best thing that can happen to the masses seems to them a thing reserved exclusively for the upper classes.

Let us take a quick inventory of the situation we find ourselves in this morning and study the terrain over which we must fight in the near future.

I think I can safely say that Americans do not like controls.

Well, whether we like them or not, there are eight compulsions or forces on the economic front that will exercise a degree of control on the future business life and profits of every man in the room.

First: *The world-wide swing to the left.* An economic awakening of the masses that is sweeping across the continents of the world. It is grounded in a desire for security—in a belief that security lies in the state operation of business—in a conviction that economic security is more important than individual freedom—in the fanatical idea that the state can provide a better living standard than private enterprise. In a democracy it expresses itself in votes—and we in America *could* either vote or legislate ourselves into such a state controlled economy.

Its great danger is that it is grounded in economic ignorance.

Second: The second compulsion is economic ignorance—if we can call ignorance a force. A more polite name is *Economic Illiteracy.* It is no less dangerous by whatever name we call it.

Nor is this illiteracy confined to the so-called masses. From top to bottom in American industrial life we have failed to clearly define to ourselves what is free enterprise—what is the American way of life. Exactly how does a free economy work? What causes periodic depressions? What was wrong with the pattern of free enterprise that preceded the great depression? How can free enterprise be shaped to prevent another great depression?

Labor thinks it is working itself out of a job when it lays 1,200 bricks per day instead of 600.

Many workers actually believe they can have more by producing less. Hence featherbedding, made-work and stand-bys!

Both management and labor must dig out the truth and be able to clearly answer to themselves and others the great economic question of the day—*How can we have both freedom and a reasonable degree of economic security?*

Less Propaganda and More Education

Specifically, why can the man on the street expect to have more under a free enterprise system than under a system of production for use with state controlled distribution? We need less propaganda and more education. Not one American in a hundred understands that consumption is the mother of employment, that sales into ultimate consumption or use is the only road to steady jobs, that competitive salesmanship determines who gets and keeps the jobs.

As a matter of realistic fact, technology has advanced production to the point where the only road to freedom is the selling road. Does anyone think that the profession of selling would have the place it does in the opinion of the public if this truth were generally known? We have got to sell selling, sales management, and salesmen as the real job makers.

If we could develop this kind of economic literacy, we might have reason to hope that the majority of our citizens would understand these truths; that individually and collectively we can have no more than we produce; that to have more we must not only produce more but trade more and consume more; that any kind of limitation on salable output lowers the standard of living of all; that our standard of living can rise no higher than the balanced level of our production, purchases, investments and sales; that buying power withheld from expenditure and investment shuts down equivalent employment and decreases the total amount of goods and services we can consume; that if we are to have a maximum growth in our standard of living we must reverse the trend toward limiting individual output, and, whether management or labor, give a full day's work for a full day's pay.

Interdependence in Economic Life

Third: Perhaps our greatest danger is that we will fail to recognize *the completeness of our interdependence in our economic life.* How we can fail to understand how totally interdependent we are in the light of the present meat situation, and the coal, railroad and shipping strikes is a strange intellectual phenomenon—but our traditional rugged individualism is dying hard.

In spite of the totality of our interdependence and the actuality of a mixed economy, we cling to the shibboleths and slogans of "individual freedom" and "free economy." "Every man for himself and the devil take the hindmost" is still prevalent in much of our thinking. Time was, almost up to the turn of the century, when Americans had the economic background for individual independence; when the majority of families either produced or were able to barter directly for the necessities of life.

In the last century we have developed a specialized production of a million patents. Our independence has shrunk proportionately. There is much confusion over terms. We talk and act as though the struggle in the political economy of the world is between free individual enterprise on the one hand and Communism on the other, whereas neither exists as a reality in today's world. The actual issue is between a mixed economy, wherein free men shall independently and cooperatively plan, organize, direct and control our economic affairs, through voluntary action, and a Totalitarian economy whereby by default the Government shall take over the direction and control of industry and enforce cooperation by police power. Government controls of industry are an established fact; it is now a question of degree. We are in the gravest danger of losing our last economic freedom, the freedom to cooperate voluntarily. When we confess our inability to cooperate voluntarily and dump our problems in the lap of Congress, we sacrifice our last freedom.

Fourth: *The next great danger is Washingtonites.* Even the most conservative of us have gotten into the bad habit of saying: "There ought to be a law" whenever something happens on the economic front we don't like. We are always seeking laws which will curb the other fellow on one hand while seeking freedom from restrictive laws for ourselves. The grand trek is on to Washington—to dump our problems in the lap of Congress for a legislative solution. Pressure groups whether labor, business or agriculture all seem to forget that every time we pass a new economic law we are one step nearer a state controlled economy. There are 1,250,000 laws on our statute books now. Some day, if we keep on running to Washington for the solution of our problems, we shall find that the sheer weight of economic curbs has made state control a reality.

Fifth: Then we have the problem of *Warfare on the Home Front.* Instead of working as a team in American enterprise—our ends, backs, tackles and guards all go into a separate huddle before each play——and each player wants to be quarterback.

There seems to be an inherent truculence, belligerency, pugnacity, and general cantankerousness in human nature which has given us what someone has called a "versus" complex. This has resulted in headlines like, "Capital vs. Labor" — "Management vs. Employees" — "Government vs. Business," etc. These hates are being fanned by self-seeking demagogues. Our great classes and groups have never found a way to work together harmoniously—to fairly divide the joint production; to find a strategy whereby Business, Agriculture, Labor and Government can lie peacefully in the same bed! Resentments in the sense of being abused by the other fellow rankle and burn in the minds of opposing groups like a chain reaction which builds up into explosive antagonisms. The customary relief valve in the situation is to resort to legislative action, but this leads to further loss of freedom.

We have time to barely mention three other factors that may change the whole pattern of our economic future. Their significance needs no emphasis—They are:

Sixth: *A Public Debt now almost equal to our total national wealth*—and still growing. Just servicing this debt annually will cost more than the total cost of government in pre-depression years.

Seventh: *Atomic Energy.* While its potentials are not fractionally understood, we do realize that humanity has been given the choice of destroying itself or learning to cooperate.

Eighth. *The Annihilation of Distance*—No spot on earth is today over 42 hours travel from any other. A B-29 the other day flew 12,000 miles in less time than it took our grandfathers to go from New York to Washington.

So much for a few of the more important environmental forces.

Now let us tackle certain forces that come closer to the daily operation of our individual businesses.

I refer to the forces of Inflation and Deflation. Both forces are constantly working in a free economy and not on a 35-hour week schedule either.

Inflation means a greater money supply than goods, deflation more goods than the money supply.

Inflation doesn't mean a boom—it means less goods for a dollar.

Deflation doesn't mean depression—it means more goods for the dollar.

We built twice as many homes, for example, in 1921, a deflationary year, than in 1920, an inflationary year.

While various pressures are at work influencing both inflation and deflation—the brake on either extreme inflation or extreme deflation is the effectiveness of the money supply—the willingness or unwillingness of people to spend their money.

Inflationary pressures at work today include the $28 billion in cash in the pockets of the people, the enormous unfilled demand for nearly everything, declining individual production, shorter work weeks, strikes and government deficits.

Deflationary Pressures

Deflationary pressures evident in the current picture include, growing inventories, full employment, increased awareness on the part of labor of need for greater production, declining price of stocks, shrinking gross profits, increased commercial loans, governmental bungling, buyers resistance to increasing prices, duplicated orders at retail levels, and a new caution in investment and expenditure on the part of consumers, investors and management.

Some specific evidences that Deflationary Forces are in the ascendancy:

Truck tires are selling at a discount.

Radios are moving slowly (production is 45% above previous peaks).

Consumers shy away from new brands and unbranded merchandise.

The production of electric irons is 85% above previous records.

Convector and radiant heaters are 200% above previous totals.

Non-advertised products moving sluggishly.

Cut price offers are becoming more frequent.

Real Estate prices are off from peaks in 13 cities.

Automobile retailers report heavy duplication of advance orders with competitive makes.

In the home building industry several hundred thousand houses were started early in the year but their completion has been delayed for seven or more months beyond the normal 3½ months completion time.

This will bring a whole series of deflationary headaches.

On top of the $1,500 to $2,000 black market inflation in the selling price of these houses, another $500 to $1,000 each has been added to the cost because of delays.

With the limitations of FHA committments and with ceiling prices on the sale of GI Houses these extra costs must come out of the contractors pockets. Contractors will have serious losses—together with lumber dealers who have financed them—and even with the existing demand, thousands of houses will be slow to sell at the asking prices.

This means that new starts will be fewer next spring—at the very time production will be reaching new heights and a recession in lumber and building material prices from the present black market prices is indicated.

Any realist must admit today that the black market is the market in the home building industry and that so-called ceiling prices are just some figures on the books of the OPA. The coming recession will be felt most where black market prices have reached the highest level. The old saying the bigger they are the harder they fall shall hold true.

In your own industry I believe current hardwood production including imports is at the highest point in history. It is my understanding that some gum lumber has been sold under ceiling prices and that more hardwood lumber is moving to the flooring mills.

So much for the immediate past and current situation.

Now where do we go from here?

Historic experience indicates that this trend to deflation once started will continue for some time and therefore it is safe to predict three coming developments that you will have to cope with:

A Buyers' Market Ahead

I. *A Buyers' Market Is Ahead!* No one can name the exact day, but it appears certain to come some time next year.

II. *As the increased production of full employment hits the market we are in for a competitive era the like of which we have never seen.*

One of the economic laws is that the more you have of a thing the more difficult it is to sell at a profit. The greater the volume of production, the more pressure there is on the price. The greater the pressure on the price, the more deadly the competition. The more intensive the competition, the lower the gross profit.

When we hit our production stride we will face the greatest competitive dogfight in the history of American business. In the competition for retail outlets and the jockeying for distributive preference, there are already evidences of a breakdown in traditional distributive channels. The gross profit honeymoon is over, management is facing shrinking margins of both gross and net profit per dollar of sales.

III. *Many businesses will be caught with inadequate sales plans, organization and personnel.*

Our sales organizations are badly depleted from raw materials selling clear through the production and distributive chain to sales into consumption and use. Existing personnel are somewhat spoiled by five years of a sellers' market. The attitude toward selling as a profession is deplorable.

A totalling inadequate number of returning veterans are seeking the field of salesmanship and distribution.

Eighty per cent of those who came out of the retail field did not want to go back to retail work, and 50% of those who had previously engaged in selling did not want to go back to selling. People do not like selling, and they do not want to sell. Adequate compensation schedules and incentives have not been set up for salesmen, particularly for the most important sales job: that of retail selling to the ultimate consumer.

How will you hardwood men meet these eight general and three specific challenges as you study and plan here for next year?

I have purposely avoided a detailed discussion of the Hardwood Lumber business. Your President and others far more competent than I will treat these in detail. Neither have I the presumption or temerity to tell you how to run your business!

But I would be remiss in my duty if I didn't suggest to you ten very specific and definite steps that you might consider taking in your individual businesses to meet these problems.

Ten Points of Action in Meeting Tomorrow's Challenges!

1. *Build An Organizational Bridge from the Five-Year Sellers' Market to the Coming Buyers' Market*—1947 is certain to be a transition year, a year of organization and preparing for the intense competition ahead.

During this transition period every businessman should thoroughly overhaul his entire production and distribution machinery and personnel along the entire chain from product design to ultimate consumption or use of his product. It might be noted that you men in the hardwood business have the longest production and distribution chain in the world.

The following 30-point chart might be helpful to you if you decide to completely overhaul your marketing structure:

Re-appraise the mental and physical assets and capacities of the company.

Recapitulate the company's maximum potentialities.

Determine the market potentialities, national, international.

Adjust company production to market potentialities.

Determine logical sales and profit objectives.

Establish detailed and decentralized production and distribution quotas.

Review philosophy, structure, channels, and patterns of distribution.

Project credit terms and distribution financing.

Establish distribution cost reduction techniques and incentives.

Revise sales stimulating techniques and incentives.

(Continued on page 2094)

Scouting the Economic Front

(Continued from page 2093)

Coordinate advertising, promotion and sales activities.

Measure and specify internal and external training tasks.

Set up internal executive training (conference method).

Devise personnel rating and aptitude testing techniques.

Interpret management policies to distribution employees.

Revise company recruiting, compensation and sales operating techniques.

Improve company sales, staff and field organization training.

Review distributors' executive training.

Deputize training by training trainers to train.

Improve distributors' recruiting, compensation and sales management techniques.

Improve distributors' salesmen and staff training.

Improve distributors' service organization training.

Cooperate with formal educators and U. S. Department of Education.

Coordinate economic planning for the postwar era.

Cooperate with government bureaus on distribution problems.

Cooperate with associations, societies, industry and competitive groups on distribution problems.

Organize, supervise, interpret and consolidate distribution research and tests.

Operate clearing house of new sales and distribution ideas.

Plan coordination and follow through by company's line, staff, field organization and distributors' personnel.

Supervise consumer education (coordinate with advertising publicity and public relations).

2. *More Effective Market Research Analyses and Salescasting*—It is imperative that management find the answer to the paradox of plenty! There is no down cycle in human wants. The total market is unlimited. There is no known height to which the American standard of living cannot climb! And yet we can have overproduction of individual products and partial collapse of the market. We must find the causes and the remedies for accumulating unsold inventories, industry by industry. We must achieve a balanced production and consumption diet. If there is no saturation point in the market as a whole, we must determine what will, and what will not, sell at a given period and point. We must have a better pre-knowledge of product acceptance by the public, quantitatively and qualitatively. We must have wiser budgeting, more intelligent quota building and better utilization of the power of credit. Our market analysts and researchers have their work cut out for them.

3. *Constructive Price and Profit Policies*—Management has learned during the war that lowest operating costs are found at "close to capacity" operations. To hold its own in competition management must therefore price with capacity volume in mind.

Management will learn in the new economy that 10% of a dime in net profit is probably easier to secure than 15% of a nickel; that 7% net on a 200 thousand dollar volume is more easily obtained than 10% net on a 100 thousand dollar volume. Thus management will turn increased competition and shrinking gross margins into increased net profits and returns on the investment. More for less money at higher wages and fair profits can be had through the elimination of waste and greater efficiency.

4. *Vertical Coordination of Manufacturers. Wholesalers and Retailers Selling*—In this new era of imperative consumption, production management has a special obligation to the other factors in the distributive chain. Production management deals with the fabrication of raw materials into ready-for-use products. It is imperative that the producer should direct those processes which are necessary to get his products into ultimate use or consumption.

This means that the producer must have a voice in the merchandising policies and practices of the wholesalers and retailers who propel his products into ultimate consumption. It means that there must be coordinated planning and action among all sales factors, from factory doors to ultimate consumption, on the common problem of moving merchandise into final consumption or use.

Manufacturers can assure effective wholesaling and retailing without going direct to consumers by building adequate franchise structures and then training all factors on the distribution chain. Manufacturers are in a far more favorable position to develop retail training programs than their own retailers because they can spread the cost over a large number of outlets. Wholesalers and retailers will accept manufacturers' counsel and direction of their consumption creating activities if the manufacturer's franchise has three elements: (a) better profits for the distributor than he might otherwise make: (b) consumer acceptance and demand for the product; and (c) manufacturers' advertising spotlighting the distributor.

We can look for more closely knit partnerships in marketing between each manufacturer and his distributors and between manufacturers' associations and retail associations in the same industry.

5. *Elimination of Distributive Wastes*—Distribution is essentially motion; the movement of raw materials through the process of fabrication, warehousing, transportation, selling and delivery, into ultimate consumption. Wherever there is motion there is opportunity for the application of engineering techniques. The same scientific and engineering approach should be had to distribution problems as we have had in the past in the field of distribution. Time and motion studies are in order all along the distributive chain. There should be detailed analysis of every function and process and a fight for savings wherever waste can be found.

Management should have a new accounting approach to distribution costs with the producer, requiring detailed knowledge of every cost from factory door to ultimate consumption, even though he is not directly concerned with the sale of his products into consumption.

In our older industries it is probable that further savings in production costs will be measured in cents, while savings in distribution costs may be measured in dollars, because of the many wastes in existing distributive processes. Management should not overlook the fact that savings in distribution costs passed on to the consumer in the end-use product price will have the same historic effect in increasing markets as savings in production costs have brought about in the past.

6. *Greater Pressure on the Creation of Sales*—If industry is to move double prewar tonnage into ultimate consumption, management must certainly double its expenditure in advertising and promotional activities. Someone has wisely stated that "advertising is moving people towards one's products, while merchandising is moving the products towards the people." Both processes must have stimulation.

When confronted with accumulated unsold inventories or the threat of them, we must lift our sights to wider markets, fringe markets, new markets, export markets. We must tap ever larger reservoirs of buying power and ever deeper levels of consumption; we must expend our external and internal sales budgests and sales personnel.

It may seem paradoxical to talk about limiting distributive waste in one breath and greater expenditures on distribution in the next, but it is perfectly consistent.

Let's state it this way: *No distribution costs are low enough if there is the slightest waste in the process. No distribution costs are too high if they can produce additional profitable volume without waste.*

We should stop saying, "Distribution costs are too high," unless we qualify the statement by specific instances of distributive waste. It really doesn't matter what percentage of our purchase dollar goes for distribution if there is no waste involved.

When we need more sales volume to sustain employment, we should leave no dollar uninvested in additional sales that can produce them at a proift.

The only effective antidote to the handicaps in a free choice market is more and better selling.

7. *Better Human Relations*—And now we come to a management activity at the very top in importance—that is, your relations with your employees and your associates.

Good public relations rest upon good industrial relations and good industrial relations on good human relations. Human relations is the most important problem in business today. In fact, all business problems may be synthesized at the level of human relations.

The future of any company today is determinable in terms of its manpower.

Mental attitude governs both the quality and quantity of the individual and the team.

Productivity is the key to a higher living standard, and better human relations is the basis of increased production.

Successful management is developing people and getting the most out of employee manpower potentialities and capacities, in the interest of the employees as well as that of the company. Labor is no longer a commodity subject solely to the laws of supply and demand. People are not machinery, they are organisms, with minds and souls as well as bodies, all capable of growth and expansion. The abilities and capacities of our people are far beyond what we realize or they realize.

Management's primary job in producing profits is to develop people, machines do not make profits—people do. Tomorrow's management will treat employees as integral parts of a family. That is the highest human meaning of the word "company."

Would you like a management formula for human relations that will increase the production of your organization a *minimum* of 40% at an increased labor cost of not over 20% and at a decreased operating cost of 10 to 15%? I have enough case histories of the use of this formula to practically guarantee these results.

It involves providing your employees with the things they expect from good management:

A fair job evaluation—what is "par" on their course.

Incentives and rewards for extra thought, ingenuity, resourcefulness and enterprise.

Reasonable job security, and an understanding of why they have it.

Individual recognition and respect for their personality — a sense of being needed and important.

To be informed of what is going on and consulted occasionally. Talking with them, not to them or at them.

Fair wages. An equitable compensation plan.

Decent environment and pleasant working conditions.

A demonstrated interest in their health and happiness.

Opportunity to grow and progress, implemented with training facilities. (One wise management calls its personnel records "progress records.")

Some responsible management factor to gripe to and the assurance that their gripes will be fairly handled.

A sense of "belonging." A member of a winning team.

In providing these management will need to re-appraise and revise such techniques as recruiting, selection, indoctrination, motivation, training, compensation, and the supervision of manpower—both production and sales. Perhaps I should have said *especially* sales manpower. Employee turnoverwill be a far more costly problem in the future than in the past.

8. *Build New and Improved Structures for Economic Cooperation Outside of Government*—This is the only possible way to prevent ever-increasing controls of the economy by the State.

We recognize that we must cooperate to exist. The question is whether we shall have government imposed and enforced cooperation, or voluntary cooperation by free enterprisers.

It is just that simple in principle.

Our economic interdependence, our universal individual capacity as producer, trader and consumer, makes structures for intra-industry and inter-industry cooperation, integration, and coordination a vital necessity. The counterbalance to Washingtonitis, to bureaucracy and government interference with competitive enterprise is the ability of industrial management to organize cooperative planning and action, and new standards and ethics, in the light of public interest—thus avoiding unneeded and hampering legislation.

Because of a fear of anti-trust laws industrial management has shied away from cooperative activities. In the interest of preventing further unwarranted governmental controls in the economy, this complex must be removed. There are thousands of perfectly legal cooperative plans and activities that could be undertaken in the economy for mutual benefit which would stimulate rather than restrain trade. Representative groups, covering every livelihood and walk of life, should be organized at every level from the grassroots to the national Capitol, with the sole objective of developing cooperative plans to provide the people with what they want, while retaining the people's freedoms.

We might call such a development a FOURTH HOUSE OF DEMOCRACY. The guiding principle of such a structure might be: "That which is attained by discussion and agreement without legislation tends to enforce itself, viz., all established ethics while that which is obtained by legislation *must be maintained by the freedom-destroying police power of government.*"

Each of you here can start building these freedom-perpetuating structures in your home community by calling together representative leaders from every special interest group such as labor, agriculture, education, management (manufacturing, wholesale, retail), finance, transportation, communication, religion, women, youth, health, etc.

The agenda before such a group should be the settlement of local economic problems that would restrict production in the community or would tend to require the passage of more laws to curb free enterprise — settlements arrived at through mutual agreement and the power of an enlightened public opinion.

These representative groups would be an effective educational medium to whip the problem of economic illiteracy right at the grass roots where it must be whipped.

Some might argue that this type of organization would be nothing but a debating society. Well, if they will prevent a State-controlled economy I don't care what they're named.

It still holds true that discussion is better than silence, reason is better than violence, cooperation is better than anarchy, and democracy is better than tyranny.

It is a simple formula for determining what is the right thing to do cooperatively.

9. We could not close a discussion of the part management must play in meeting the problems of the day without covering *the necessity of determining industry by industry of the part the government should play in the successful operation of each.*

Make no mistake, that with a 300 billion dollar debt to manage the government is a permanent part of our mixed economy—government regulations will be a part of our operation from here on out.

The question then is to see that the government's part of our economy is constructive and helpful, rather than destructive and harmful.

We must stop damning bureaucratic interference with private enterprise until industry by industry we are prepared to be specific in verse and paragraph as to what we want done by government and what areas we want left to ourselves.

This is one of the most vital tasks before our industrial associations, and one of the biggest jobs of management.

The obligation of management is to manage, it is management failures which have brought us to the pass we are in.

Summarizing the stewardship of industrial management in this new age includes the areas of governmental relations, public relations, competitive relations, customer relations, distributor relations and community relations, as well as the previously accepted responsibilities to stockholders and employees.

Social responsibility must not be left out of management decisions in the future if we are to perpetuate the freedoms and prerogatives of management.

Nor will this detract from the profit structure, it will add stability to the profit chance and tend to perpetuate our profit and loss system and the concept of private property.

10. I will close on a very intimate and personal note. That is, the responsibility of each individual to *Renew the Right Spirit in American Life!*

Parcel Post to China

Postmaster Albert Goldman announced on Oct. 2, that, effective at once, ordinary (unregistered and uninsured) parcel post packages up to 50 pounds in weight may be accepted when addressed to the cities of Canton, Peiping, Shanghai, Swatow, and Teintsin and up to 22 pounds in weight when addressed to other places in China to which the service extends. It is pointed out that the parcel post service to Manchuria and to the Provinces of Shansi, Suiyuan, and Chahar remains suspended. There is no parcel post service to Mongolia. Postmaster Goldman also says:

Except as indicated above, parcels addressed to China will be subject to the postage rates and other conditions in effect at the present time. The export control regulations of the Office of International Trade, Department of Commerce, Washington 25, D. C., are applicable to parcels for delivery in China.

What Does the Stock Market Break Portend?

(Continued from first page)

90. When the crash came, securities merely registered the prevailing commodity price trend, as one would expect, and discounted its implications. It is the same way on every occasion: the stock market knows little in advance, contrary to its reputation, but discovers suddenly what has been going on for some time, and reacts with violent emphasis.

In all known history, major declines of stocks and credit bonds have been preceded by one of two phenomena or both heralding a coming crisis. One is a major decline of some if not all "sensitive" wholesale prices. The other is a serious credit trouble that has occurred or is known to be in the offing. Needless to go into details; every history of business cycles bears out the story. The ones who ignore it are the most successful stock market forecasters operating in this country, who do so on the basis of superficial historical analogies which they incorporate in pseudo-scientific charts and verbalizations. The appalling ignorance of most of these recognized crystal-gazing and tea-leaf-reading agencies would be of little public interest were it not for the fact that they reflect the mind of many an investor who seeks guidance in such primitive analogy-devices as the average number of months between the beginning of a boom and its peak in previous cycles, or in the superstition that yesterday's market behavior forecasts what it will do tomorrow.

Be that as it may, the fact is that commodity prices did not fall before or during last summer's stock declines, either at home or on the world markets. Nor is there a credit crisis of any sort in the offing, certainly none that could cause widespread liquidation in this country. As a matter of fact, commodity prices have been rising and the credit structure is as liquid as it can be expected. The underlying factors at play, both on the monetary side and in the sphere of commodities and services, promise further rising prices with no sign of repercussions on the financial structure. All symptoms indicate the continuation of a **shortage economy**, or of an **inflationary boom**, two terms to designate the same phenomenon in its physical and financial aspects, respectively.

Inventories

Take, e.g., inventories. Their total, in trade and manufacturing combined, has passed the all-time high mark of $30 billions. A great deal has been made of this fact by market forecasters. Do not high and rising inventories indicate the turning point of the up-swing? **Per se**, the size of inventories is immaterial. The relevant consideration is the ratio to sales which is still far below normal: 1.80 is the ratio, at latest count, of manufacturers' inventories to shipments against 2.31 before the war, and retail stocks to sales run at 0.97 against 1.52 in 1939. Presently, "inventories" accumulate when radio makers cannot get cabinets, or when half-finished equipment is tied up by the lack of vital parts while dealers and consumers wait frantically. What difference does it make, as another example, whether a firm orders 1,000 units to be delivered in 10 monthly instalments, or whether it buys 800 units at a time when no periodical deliveries can be guaranteed? Statistically, inventories appear much higher in the second case; in reality, they may average out below normal. The examples could be multiplied.

It should not be surprising if inventories keep increasing—notwithstanding downward revisions in this or that field—given the trend of rising prices and mounting bottlenecks, both depending in ultimate resort on the forthcoming money supply. That supply is not described adequately by reference to the face value of inflated currency and deposit figures. What matters, in the first place, is that a major part of the almost $29 billion currency in circulation, and of the $150 billion non-governmental deposits (against $4½ and $50 billions, respectively, in 1929) still is dormant, to say nothing of the $49 billions in redeemable savings bonds. These piled-up dollars are coming gradually into use as goods become available, especially capital goods. That is one reason why inflation cannot be "out-produced" without raising prices: the more we produce, the more latent money tends to turn into actual purchasing power. The supply-increase is matched or offset by new demand. But that is not all. On top of the rising velocity of circulation, monetary volume itself keeps growing: commercial loans are pouring out at the weekly rate of $100 millions or so. The decline of security loans and the redemption of bonds by the government have overshadowed so far this new credit expansion, but they both are coming to an end. There practically is no limit, on the other hand to the commercial credit expansion until and unless the monetization of the national debt will be stopped.

Monetary Situation

A set-up in which the world's largest national debt is being kept monetizable at the world's lowest interest rate structure; in which credit expansion does not curtail the credit base and slowly but steadily rising prices do not discourage effectively the demand, as increasing production does not eliminate the prevailing bottlenecks, but merely shifts them from one field to another—such a shortage economy, if there ever was one, is likely to continue by its own momentum. Its basic resources are afflicted by the shortage-ailment and will stay so as long as the underlying demand-inflation is oiled by a self-generating money flow.

Causes of Stock Market Reaction

Having said that much about the monetary side of the picture: how is the stock and bond market behavior of the last few months to be interpreted? If it were true, as it is being rationalized, that the security marts "predict" a coming depression, then they would see a trend that is invisible as yet and prognosticate a future without having facts on which to base the prediction. They would be acting on the dictum that "what has gone up, must come down," a meager basis for foresight under paper money conditions which might end in a new devaluation—who knows at what commodity price level?

Security values reflect the capitalization of profits, and profits in turn are the product of "margin" and volume. Monetary inflation and the concomitant shortages raise prices and thereby the margin in dollars, if not in percentage terms, in addition to stimulating the volume of production and of sales. That should stimulated capital valuations, especially so when profit expectations are to be multiplied by an artificially high and guaranteed rate of capitalization. But obviously, if production volumes and profit margins are curtailed by extraneous factors, then a "profitless inflation" might be discounted.

That is one off-hand and easy interpretation. True, under OPA, ICC, and similar controls, with retroactive wage-boosts and other cost-raising chicaneries superimposed, margins may dwindle in numerous industries. The same policies help to reduce the volume of business as well. The profit candle burns at both ends. But the real trouble is that even the elimination of all governmental controls, including the unlikely "de-control" of the labor market would not mean necessarily a level of profits to justify a bull market in securities.

The crucial issue is: whether or not the prevalent bottlenecks can be overcome. Free markets mean rising prices in the sectors which have been controlled, and possibly falling prices for substitutes. In other words, we now have two kinds of markets (not counting the black ones), some with artificially low, and others with disproportionately high prices, since part of the demand that could not be satisfied in the controlled sphere turned to the uncontrolled. The result of de-control is a restoration of the balance **between prices**—but not between total supply and total demand. After as before, bottlenecks must prevail because with 58 million workers engaged, we are scraping the bottom of the labor barrel. We are operating on the full employment level, which means that almost any additional demand for labor **must** be drawn from other employment, and the competition between employers will raise wages without increasing the physical volume of output. The radio industry, e. g., cannot be provided with cabinets unless the cabinet-makers find that demand more profitable than the demand for furniture, in which case the furniture buyers go begging, or else additional labor and lumber have to be brought in—from where? We are producing homes at an annual rate of (say) 500,000 units, but in view of steel, lumber and other shortages, we can do so only by cutting down commercial and municipal construction, and while the lag in automobile production keeps down Detroit's demand for steel and other materials. If raising rent ceilings or granting subsidies should result in the construction of 1,000,000 housing units per year (which is the minimum we need) a scramble for everything from electricians to nails would upset the precarious balance of many industrial markets and unleash a whole series of upward price adjustments—unless other productions decline proportionately. One bottleneck may be overcome, but only by creating another.

A number of additional or derivative factors, and no mean ones, are at play to enliven this uncontrollable scramble for resources. Most important is the tendency of labor to utilize its bargaining position not only for raising wages, but also to reduce working hours (the latest AFL 30-hour week program is no mere campaign oratory), and often also to reduce its productivity at work. Prolonged strikes and slow-downs are part and parcel of the struggle for higher wages. More and longer paid-vacations, health and welfare funds, improvements in working conditions, social benefits and similar non-productive expenditures may be mentioned in passing. Together with the more or less successful attempts by unions to interfere with management, all of these factors add up to two things: **rising costs**, the shifting of which on to the consumer is not always a simple process even in a free economy, and **higher break-even levels** for each plant. The latter mean that volume production has to be greater than normal to yield profit—a factor to caution the stock market.

That is the curious self-contradiction of a "controlled" inflation which seems to be so little understood: it brings about full employment at rising prices, but also bottlenecks and reduced labor productivity. Therefore, profits are bound to fluctuate wildly, and the worst of it is that it is difficult to predict which industry will be making profits or losing money. This uncertainty about the relative distribution of profits and losses is another depressant of the security markets, even if total profits should approximate the $9 billions peak of 1945.

International trade is another element aggravating our shortages at present (threatening to engender world-wide over-productions some years hence). Our exports are running this year at a rate of better than $10 billions, and imports at less than $5 billions, leaving an inordinate export surplus of $5.5 billions. If it were not for our own limitations, including strikes, shortages and transportation tie-ups, we might double this export surplus next year, a chapter that cannot be discussed at length on this occasion. It may suffice to point out briefly that our imports are subject to the restraints on production abroad, especially in articles primarily competitive in the the American market, such as the raw materials of the Far East which will not be available in quantities before another two or three years (at best). The consequent shortage of sugar, tin, natural rubber, tungsten, etc., is a basic bottleneck of world economy, to say nothing of reduced supplies in tobacco, mineral and vegetable oils, etc. Furthermore, having successfully eliminated such industrial competitors as Germany, Italy and Japan, our import-potential is reduced, while our export possibilities are increased accordingly. Also, inflations keep raising production costs in foreign countries while their labor productivity lags behind ours. Nor is the outer world short of purchasing power: $17 to $18 billions of gold and some $12 billions in balances held abroad, plus more than $10 billions of still unused American credits could go a long way to finance our inflated export-surplus, even if no more foreign credits should be granted (which is most unlikely).

Anyhow, the 200 million Western Europeans who have to be refurbished from top to bottom should offer some hopeful outlook to our cotton growers and manufacturers. The coal crisis which is threatening over there should guarantee full employment to our miners if such guarantee is needed. So far so good. But how will that affect our coal and textile prices? As it is, the mills are losing workers week after week, not being able to compete with wages in other industries. As to the miners, John L. Lewis may be relied upon not to miss the opportunity. In other words, our export surplus is anything but an unmixed blessing. It means an additional pressure on our hard-pressed resources, further narrowing the bottlenecks. Freight cars and locomotives are a most conspicuous example: their production lags far behind our very urgent needs, and we are duty-bound to relieve the transportation tie-ups of the rest of the world by exporting a substantial fraction of that coveted output at the expense of enhancing the tie-up threatening in this country. The net result is bound to be more interruptions and delays in production, greater confusions, and bigger bottlenecks.

Just one more point. Unprecedented consumer spending—$120 billions this year, double the 1929 peak level volume—means inflated prices and wages, and more acute shortages. To meet the challenge, and to economize on labor costs, business has to expand. The current annual rate of expenditures on inventories, equipment, labor saving devices, etc., is over $30 billions, much of it a direct or indirect consequence of the consumer demand inflation. Business outlay competes for the same resources, the shortages of which already are felt throughout the body economic.

Problem Confronting Stock Market

The foregoing samples of cumulative or recurrent and shifting shortages and their causes should illustrate the problem confronting the stock market. It is a problem of deciding: (a) in which industries and how far will government interference from above and union interference from below affect profit margins, break-even levels, and volume of shipments; (b) where and how far are individual prices out-of-line in relation to the general price level and need to be readjusted; (c) whether and how far actual deflationary measures (raising taxes and/or interest rates, curtailing bank credits, etc.) or invigorated inflationary policies (more deficit spending, lower taxes, extended Federal guarantees) have to be discounted. In other words, an economy geared to a $200 billion total national output should provide most sanguine profit expectations, but the concomitant strains and stresses, plus political uncertainties, inject a large question mark as to net profits all 'round, and in each individual industry.

That brings us back to the starting point. What this year's stock market debacle "discounts" is not a coming depression—of which no symptom is visible—nor even a "profitless inflation," taking that term literally. (If zero profit rate were expected, industrial security quotations should average far below the 1941 low rather than its double.) Bewilderment is what the stock market registers, bewilderment in the face of an utterly complicated and confused situation, the like of which it never before has witnessed.

American Chemical Soc. Appointments Announced

Dr. Gustav Egloff, Director of Research of the Universal Oil Products Company, Chicago, has been elected Chairman of the Petroleum Division of the American Chemical Society for 1946-47. Dr. Egloff, who is a former President of the American Institute of Chemists, succeeds Dr. Stewart S. Kurtz, Jr., of the Sun Oil Company, Norwood, Pa. A. N. Schanen of the Soconoy-Vacuum Oil Company's General Laboratories at Paulsboro, N. J., was named vice-chairman and Cary R. Wagner, consulting chemist of Bartlesville, Okla., was re-elected Secretary-Treasurer.

Dr. Kurtz and W. E. Bradley, research supervisor, Union Oil Company, Los Angeles, Cal., were chosen members of the Executive Committee of the Division which, with 1,300 members, is the largest of the Society's 18 professional Divisions.

Francis J. Curtis, Vice-President of the Monsanto Chemical Co., St. Louis, has been elected Chairman of the Division of Industrial and Engineering Chemistry of the Society for 1946-47. He succeeds Thomas H. Chilton, director of the technical division of the engineering department at the E. I. du Pont de Nemours & Co., experimental station in Wilmington, Del. Mr. Curtis is a former Chairman of the American Section of the Society of Chemical Industry. Dr. H. F. Johnstone of the University of Illinois was chosen Vice-Chairman of the Industrial and Engineering Division, and Dr. William A. Pardee of the Gulf Research and Development Co., Pittsburgh, was re-elected Secretary-Treasurer.

The Division will hold its Thirteenth Chemical Engineering Symposium, on the subject of distillation, at the Mellon Institute for Industrial Research in Pittsburgh on Dec. 30 and 31, Mr. Curtis announced.

Let's Wipe Out Economic Illiteracy

(Continued from page 2075)

lutions is basically related to economics.

Although in the exact sciences we are making prodigious strides, in the field of economics we have been and are in reverse gear.

And our economic illiteracy is appalling!

A recent survey discloses that less than 50% of the people of the United States understand what is meant by the expression "balancing the budget." Another poll indicates that in nearly three cases out of four the "man on the street" who has an opinion on the subject believes that "capital" receives a larger share of the products of industry than labor—that, after all other costs are paid, "capital"gets more than half of what is left and labor less than half. The truth is that the return to capital, instead of exceeding the return to labor, actually amounts to less than one-sixth of the return to labor.

The public has little comprehension of the confiscatory nature of business taxes, another survey showed. Although the tax bill of corporations is now about two-thirds of earnings, only 15% of the people realize that taxes are that high. The average guess of the public is that the corporations pay, in taxes, about one-third of their earnings. And it is interesting to note that the same people, on the average, believe that one-quarter of earnings would be a fair tax, although in the present state of their economic education they are probably not greatly exercised by the situation.

Another poll pointed out "that the public is badly informed on how much corporations make and that this misinformation is at the cost of many business difficulties with the public." The public believes the average manufacturing company's profits reach 30% of earnings. The research organization comments in connection with this — "obviously a public so haphazardly and badly informed is a dangerous public."

In view of the record, it is safe to say that only a small minority of our people would be able to define a "free market," to describe its values and explain its indispensability in a free society. Yet today, fundamentally, our shortages of vital supplies in many fields may be directly ascribed to the substitution of a "Planned Economy" system for the very fundamental and sound free marketing system. The people, because of their economic illiteracy, were "sold" a bill of goods on planned economy and are finding through many bitter experiences that they bought a lemon — that they now have a counterfeit economy.

Little Understanding of Simple Economics

The lack of understanding of simple economics by the vast majority of our citizens is a dangerous weakness which must be corrected. If it is not rectified we will lose not only our high standard of living but also our superior standing in the family of nations.

Our economic illiteracy may be attributed, basically, to several general factors:

(A) Lack of interest, curiosity and concern by the people themselves in a problem that should be first on their list of musts.

(B) Lack of good leadership.

(C) Mal-practices and false teachings of demagogic politicians and labor leaders.

(D) The childlike faith of the people in their right to get something for nothing.

(E) Dereliction on the part of business men generally in assuming their large share of responsibility of enlightening the public.

Some months ago I was greatly impressed by a statement made by a nationally known public opinion expert. He said, in effect, "I have learned from my many years of study and experience in the field of public opinion surveys, that whatever may be the opinion of the people on any subject, be it right or wrong, we cannot criticize their verdict, for their judgment is based upon the information they have picked up from this or that source. If most of the people's knowledge is obtained haphazardly, that is not their fault."

Thus, if those with a certain point of view take the time and money to educate the people that black is white and the other side does not take steps to correct this falsehood, then assuredly in time many people will be convinced that black is white.

Under the circumstances, those who know the truth cannot justly say that the greater fault lies with the public. If Columbus's proof of the theory the earth is round had been kept a state secret the people of that day would have continued to believe it to be flat.

Competent Teaching Needed

As to the people's lack of curiosity about a subject as vital as economics, it is deplorable; but it must be granted that the subject is complex and requires time, patience, and, above all, competent teaching. If they do not receive able and patient instruction, the people cannot be blamed if they regard economics as an esoteric subject and proceed to ignore it.

Leadership and education are the responsibility of educators, statesmen and business men. Obviously, leadership of the right kind has been lacking in great measure.

The economic illiteracy of our people has been fostered by the demagogic politician's thirst for power. He has been completely brazen and shameless in fostering false theories of economics. He will do anything and promise anything for votes. By twisted reasoning, by the nurturing of prejudices, by fantastic promises, by false accusations, the political demagogue leads the people deeper into the black night of ignorance for the sake of his brief appearance on the political stage. He is a most dangerous type of fifth columnist, ready to destroy for his own brief and tainted glory the well-being of the many. Like a termite he is busily engaged in undermining much of the nation's vital foundation — the state of mind and judgment of our people.

And many of the labor leaders of this country have followed in the footsteps of the demagogic politician. They have used the same system to gain power—the system of divide and rule — the pitting of class against class, the building up of hatreds, the preaching and teachings of false doctrines. They have no qualms about assuring their constituents that 2+2=5. And they have been most vocal.

"'Tis education forms the common mind, just as the twig is bent, the tree's inclined."

As for businessmen, they have in the vast majority been totally lacking in leadership and imagination in the educational field. Their's has been the attitude, "let me alone while I attend to my own business." They overlook the fact that their business is everybody's business—that we are completely interdependent—one upon the other.

Business in Public Relations

In the field of public relations the business man generally is doing business at the "old stand" of 1880. And yet we have a right to expect leadership from him in the teaching of the fundamental of economics to the people; after all, he is practicing economics daily and knows more about the subject from a practical standpoint than anyone else. And he is obliged to be successful at it as othewise he would fail.

But, as the American business man has been intelligent economically speaking, he has found himself, in public, or human relations, at the foot of the class. True, he knows how to "sell" his product and has been a great success at that. Beyond that point, however, he has done nothing to "sell the very important story about where and why and how he fits into the pattern of the nation. He has done nothing to educate the masses as to the utter necessity of capital. He has done nothing to show how "business" has had a vital part in making us a great nation. In failing to put across his own story he loses his opportunity to contribute his share to the advancement of the people's knowledge of the American Business System which has produced our high standard of living.

The business man has permitted the rank and unprincipled amateur in economics to take the "play" away from him. The result is that the public has been taught untruths or half-truths. In the meantime we are having built for us a financial and business house stranger than anything Alice ever saw in Wonderland.

This is a job for big and little business men. Each is responsible Each must do his share, if not for love of country then because of enlightened self-interest.

The small business man can do a great job by word of mouth in a personal way. The big business man will have to use different tactics. But in his case, in teaching fundamentals of business economy, he can reach the millions through the printed word.

The executive of the large corporation who is niggardly in expending money for such constructive and essential educational work, or fails to do any such work, is doing a disservice to his stockholders as well as to the public. Lack of action on such a public relations program will prove infinitely more costly than would the sums needed for the work. The pennywise policies of the majority of our business leaders is beyond comprehension. And since honest confession is good for the soul I want to say that until the National Association of Commodity Exchanges & Allied Trades, Inc., was established in 1944, the commodity trades had never done a constructive job in telling anything of the importance or necessity of our great commodity exchanges, our free markets, — vital to the wellbeing of all interested in commodities. We were asleep at the switch and derelict too until death was staring us in the face.

Pleads For Free Economy

Now I ask you, how can we hold our own with foreign competition without free markets. How can we expect a sound economy to be built on a fixed price basis. Where do we expect to find that seventh son of a seventh son whom we can put in Washington who will know and understand all the factors entering into the production and distribution of all products of the world and can tell us what is the proper price for this and that?

We should not fool ourselves, or the people, into believing that our high standards of living can be maintained without hard work, imagination, e t e r n a l vigilance, and a sharp eye on national and international competitive factors. Our natural wealth in fields, forest and mines in the past has been so stupendous that we have been able to "afford" the costly luxury of economic illiteracy. But the recent war has hastened the end of that phase of our history. More and more we will have to use our brains to survive. And before I close on this phase, I should like to emphasize that *all* of America knows the economic views of Mr. Walter Ruether, of Mr. Philip Murray, and other members of the labor movement. I'm sure the people of America know precious little, if anything, of the views of American business men, large or small.

Today our nation is suffering from a bad case of economic hardening of the arteries. In fact, we have completely lost some of the arteries as well as a large part of the economic heart. In the latter case I refer to the fact that our free markets are either dead or badly crippled. Under a frozen economy there is no more chance for a free market to exist here than there is today in Russia, where none exists, or in Hitler's Germany where none existed. And, of course, in a frozen economy the law of supply and demand is as dead as a dodo.

So we have today in the United States a state of complete economic chaos and confusion with our business planners unable to plan, many of our factories shut down for want of vital supplies, our building program for veterans and others still in the talking or blueprint stage, our butcher shops devoid of meat, our sugar bowl a shadow of its former self, and white shirts and clothing conspicious by their absence from the retail shelves. Indeed we have an economic jigsaw puzzle that even a wizard could not put together. And no one ever will!

In effect we are attempting to run a ten ton truck which is equipped with a Model T carburetor. It just won't work.

No, you can not build a solid economy by ignoring certain fundamental laws. The quick sands of a "Planned Economy" cannot be successfully substituted for the solid rock of the free economy.

One factor that should be constantly drilled into the "economically illiterate" is that every one of us is dependent upon the others — that the high standard of living enjoyed by each is only possible because others are working for and with us, in fact, that we are working for each other; and that, in the final analysis each one of us is merely *exchanging* with others the products of our individual jobs. *We are interdependent!*

Picture, if you will, a population in the United States of only one lone human being. How high a standard of living would he have?

No group in American is more conscious of the interdependence of people and nations than those who purchase our raw commodities and finished materials. They are aware of the great number of sources of supply to which we must go to secure the products which create our high standards of well being.

But our great masses who enjoy this great variety of products have no conception of the locations of these storehouses of wealth and comfort, nor have they the slightest idea of the infinite number of steps taken in the production, shipment, fabrication and financing. If they had, they would realize that a great exchange operation is perpetually in motion all over the world — in order for them to receive these benefits They would also better understand their own relationship to the 140,000,000 people in the United States and the two billion people in the world with whom they are *exchanging* directly or indirectly their product or service.

And they would better understand the importance and indispensability of the market place.

They would better understand the bunk that is wrapped up in this package they are buying called "Planned Econo[illegible]." They would better understand the impracticability of "floors", "ceilings," subsidies and frozen prices. They would understand that any bill of goods proposed by a political demagogue which will eliminate competition, provide absolute financial security, or guarantees "anything" (excepting regimentation) is merely political hogwash. *For competition in any phase of life cannot be stilled. It is an integral part of all life.*

Snare of Communism

And they would better understand the snare of communism. Even under communism one Russian can only exchange with another Russian the products of their respective labors. The difference between the American free marketing system and the Russian Planned Economy System is that we exchange good products and lots of them, and the Russian, shabby products in inadequate quantities. But what a difference!

Our political purveyors of circuses and parades (the "you will never have anything to worry about if you elect me" fellow) can be sold "short" as our people awaken to the truth of simple economics—the truth that nothing is obtained from nothing.

Now, some light, some truth, is finding its way through our dirty economic windows. A few of the labor leaders are awakening. William Green, President of the American Federation of Labor, recently said:

> "Labor has come to the conclusion that the time has come to drop artificial government controls which have kept the nation's economy off balance. If we ever expect to restore peacetime conditions in America, we must first restore peacetime freedoms."

Another refreshing item is a statement by John O'Leary, United Mine Workers Vice-President, who stated in the last few weeks:

> "Unquestionably, the popular demand is for repeal of government controls. The people are tired of bureaucracy. They are tired of being told what wage they can earn, what price they must pay and what food and necessities they can buy."

Now that's leadership of the honest kind! That's constructive! That's real Americanism!

The administration in Washington has been compelled at long last to capitulate on meat controls. The capitulation was forced by the enraged and disillusioned public, finally awakening to the facts that the government is not an all-wise father who always knows best and that government control cannot be successfully substituted for self-reliance and free markets. If business men, too many of whom learned to lean on government, had been doing their duty over the years by educating the public to the spuriousness of New Deal economics, we would never have sunk to the depths of economic chaos which we have experienced for so many years.

To the embarrassment of every thinking American citizen, our country has presented the unfortunate spectacle of utter bewilderment with a series of orders and counter-orders, marches and counter-marches, and confusion compounded upon confusion. This should be a never-forgotten lesson to the business leaders. As for the public, its memory is short. It can again be sold a visionary economic utopia. But this must not happen again; and will not occur again if business men live up to their full responsibilities, both social and economic.

Still Planning Utopias

But in the face of the hard, cold, real facts we find the "planners" still planning their Utopias. And they are planning dangerous plans from the standpoint of the American who wishes to maintain and improve his high stand-

ard of living. They are planning to give America away!

Mr. Howard R. Tolley, formerly of the U. S. Department of Agriculture now Director of the Division of Economics and Statistics of the Food and Agricultural Organization of the United Nations, has recently proposed a program of sharing our sugar supply with other nations for years to come. The Tolley program is not a famine relief program. It is a plan to raise the normal consumption of sugar in other countries at the expense, and through the sacrifice, of the peoples of the United States.

Specifically, Tolley proposes that by the year 1950 the total supply of sugar (and syrups) should be depressed by 12.6% *under* the total consumption of prewar. And this despite the fact that our population in 1950 is expected to be 13,500,000 more than in 1940!

Tolley would keep the American citizen on a wartime basis years after the peace. And, of course, to put into effect such a plan would require that all of the current controls and regulations over distribution and price and government purchase and sale of sugar crops, would have to be continued. The "free" market on sugar would be as dead under such a plan as it now is and has been since Pearl Harbor.

But hold on — the energetic Mr. Fiorello H. LaGuardia, ex-Mayor of New York, now Director General of the United Nations Relief & Rehabilitation Administration, has a bigger and better plan. He would out-Tolley Tolley.

In a recent speech in Copenhagen, Denmark, before the United Nations' Food and Agriculture Organization, Mr. LaGuardia proposed a world food board program of distributing food supplies that would "put every dabbling grain exchange out of business." He said, "it is no use saying we are not going to interfere with free exchange and free sales." Mr. LaGuardia invited the delegates to tell the people in their countries that, if they did not set up a "world pool" as the "only export agency" they would be "just bolstering trade and assuring profits to the speculators and helping the gamblers and not helping to bring up the world standard of living, which is our objective."

Mr. LaGuardia's utterances convict him of economic illiteracy. His remarks serve not only to confuse further our other economic illiterates but to make uncertain our standing with the peoples of the world at large. If Mr. LaGuardia had taken the trouble to check with those who know something about economics he would have found that the outstanding economists of the country have recently, as a result of a survey, commented on this subject of free markets as follows:

96% expressed the belief that commodity exchanges play an important role in marketing basic commodities;

84% credit the commodity exchanges with reducing distribution costs;

88% oppose the closing of commodity exchanges;

96% express opposition to floors or loans to support commodity prices in peacetime;

94% believe that, except in wartime, the government should not fix prices on commodities in general;

And the same percentage believe that, in peacetime, Federal control of commodity prices should be eliminated as soon as possible.

Furthermore, the belief that commodity exchanges are important in marketing basic commodities is heartily subscribed to by 76% of the heads of farm and commodity trade publications, and 86% of the heads of Chambers of Commerce in 30 states.

It is not necessary to give an opinion as to who knows more about economics, Mr. LaGuardia or the economists mentioned. Perhaps Mr. LaGuardia took in a little too much territory when he expanded his efforts beyond New York City's limits.

All you or I, or anyone else, possesses in this world is the power to serve, the power to produce. We need the facilities to exchange that production and service with others. To accomplish that, we need markets and market places. Market places that are free markets! If they are not free markets but are markets that are hobbled by complete or partial bureaucratic controls they are not true markets.

Business Must Educate People

So our way, as business men, is clear. We must not only be a constructive force in creating jobs and in turning out better products, but must take unto ourselves the responsibility of educating our people on fundamental economics. We must help them to understand the place of business and the importance of business in the scheme of things. We must scotch false doctrines and economics before they are repeated so often that they are believed by an unsuspecting public. We must recognize that public relations of an educational nature are as vital a part of business as any other part. And none of us can afford to delay another moment on this educational program!

Law or Anarchy!

(Continued from page 2075)

private feuding and reprisals by physical might and put over into the realm of impartial judicial determination by reason and the application of principles of justice. This achievement marked a great day in the progress of civilization. Anarchy gave place to order and it became possible for human beings to live together with a large degree of stability and freedom for haunting fears. Without such an accomplishment, large numbers of people could not have lived together.

Methods of Settling Industrial Disputes Barbaric

By now, some one will surely be asking what all this has to do with the purpose of worshipping assembly such as is convened here today. I will tell you. I have presumed to present this sketchy background for the express purpose of drawing a parallel between that and the barbaric methods we now employ in our handling of industrial disputes. I have no hesitancy in saying that the "strike" is a totally uncivilized way of dealing with them. "Strikes" arise out of disagreements. Sometimes the dispute is between the employer and his employees; sometimes the employer has nothing to do with it, but it is between two different organized groups of employees, each claiming the right to negotiate with the employer. Sometimes workers are compelled to go on strike when they have no grievance at all and would prefer to go on working, but are compelled to walk off the job by the orders of the organization to which they belong. Sometimes they are voluntary members of such organizations, but often they are forced into membership against their will by violence of threats of violence. Often they are coerced into membership because otherwise they will not be permitted to work at all or to earn their daily bread.

Employees claim that they have long suffered injustices and are now balancing accounts, while employers assert that the demands of the workers are unreasonable and impossible of granting. Obviously, neither party to the dispute is in a condition to make an unbiased appraisal of the merits of their respective positions.

I am not here trying to fix the blame or to say who is in the right or to what extent. But I do say that such a situation breeds lawlessness, eventuates in anarchy and will destroy any government or society that does not find an effective way of dealing with it.

There is no more excuse for permitting those with an industrial complaint, real or fancied, sincerely entertained or shammed to cover up a sinister purpose, to take into their own hands the redressing of their own grievances, that there is for permitting any private individual to take upon himself the satisfaction of his own wrongs of whatsoever nature without regard to the good order and welfare of the whole society.

There is no more justification for permitting an organized group to stop a farmer carrying his own produce, the fruits of his own toil, to market and tip over and break his truck and destroy his foodstuffs unless he will take on and pay another driver whom he neither wants nor needs than there is for permitting a man whose son has been killed, perhaps in a brawl, to go out and without investigation kill the perpetrator of the death.

There is no greater right in an organized body to obstruct public streets or to throw picket lines in front of entrances to places of work and hold others out by violence, intimidation, threat and injury than there is in any person whose property has been stolen to retrieve it by force of arms, killing or maiming if need be in the process.

Neither does it help the cause any to say, even though true, that workers have in the past suffered gross wrongs. You never cure an evil by transferring the power to perpetrate it from one set of hands over into the hands of those on the opposite side. Wrong is just as sinister and just as fatal to orderly living when perpetrated by one side to a controversy as if perpetrated by the other. Former wrongs are not righted by the commission of new ones by the other party.

A National Disgrace

Our method of handling these industrial disputes belongs to the age of barbarism and is a national disgrace. So long as we tolerate law defiance, disorder, private usurpation of the right to redress wongs, we have no right to be castigating other nations for their delinquencies or to assume the role of instructor to them. If we cannot maintain domestic order, how may we hope to achieve international order, or to have persuasive influence in establishing it?

The crying need of this age is for men of stature and character in the seats of power. Men who have the intelligence to discern the right and the courage to pursue it without regard to personal consequences to themselves or their ambitions. Men who will not succumb to the lure of expediency, but who dare to stand on principle though they stand alone. There are too many favor-currying little men sloshing around in positions requiring big men of unwavering integrity to fill them.

Why should great cities be thrown into darkness and their citizens exposed to the marauder because two contending parties choose to be belligerent? Why should water shipping and land transportation be stopped and whole innocent populations be reduced to hunger and cold and privation because two private parties, or perhaps only one of them, sets up its imperious will regardless of the good of the law-abiding public?

If laws are needed to define the rights, privileges and obligations of the respective contenders, let such laws be passed, but let them be fair, impartial and unbiased laws. You will never cure the evil with laws that shackle one of the disputants while leaving the other to roam at large with unrestrained license to do evil. If tribunals be needed to administer and enforce the laws, let them be impartially constituted, not packed with personnel so biased that their decision may with certainty be predicted before the cause is heard. And when a judgment has been rendered by a duly constituted tribunal, let that body not be dissolved and its judgment vacated under pressure and another tribunal set up to render the kind of decision the dissatisfied party wants. That practice only brings the whole system into disrepute and the government itself into contempt.

The authority of law must be preserved, orderly procedures maintained, the rights of the unoffending but suffering public made secure regardless of the wishes of the contending parties or the pressures they may bring to bear.

Freedom of Religion at Stake

Another reason for the appropriateness of this discussion here is that the whole future of freedom of religion is at stake. There is war between the concept of a free people under a free government and totalitarian government with its inevitable stifling of individual freedom. That warfare involves religion. If the insufferable and inexcusable condition now prevailing is not corrected then free government will give way to some form of totalitarianism, whether the despotism of one man or of a class or group or even of the state will not much matter. And totalitarianism must always destroy religious liberty. Free government as we have known it, what commonly now is spoken of as our democracy, is foundationed in the great spiritual principle of the supreme importance of the individual and the divine derivation of the human soul. This concept finds its highest political exposition in the Declaration of Independence which proclaims in words of fire that men at birth, by the creatives decree that gave them being—from the mere circumstance that they are men—are God-endowed with certain rights which are "unalienable" and which of right and by force of our basic law are inviolable and which no power on earth, not even the government itself may properly infringe. Among these inalienable and inviolable rights are the right to life and to liberty. The right of man to liberty—to be free—is thus made coordinate with the right to life itself. The history of human struggle loudly proclaims that life without liberty is intolerable. For a fullness the two must go together. These conceptions incorporated in the immortal Declaration are the products of more than a century and a half of the teachings of the Christian religion out of which they must draw their nourishment. If this well-spring is suffered to dry up, then individual freedom will wither and die.

For it is out of that religion that the whole concept of the common brotherhood of men as the children of the same God derives, each equal before the law. So intimately are the two intertwined that democracy and the Christian religion must survive or perish together. Neither has worked perfectly in human hands. But the failure of the perfect working of the principles of free government probably is fairly in proportion to the failure of men to live the Christian religion. The perfect working of the latter would insure the perfect working of the former. We may not, except at our peril, discard either of them. Together they have provided an atmosphere in which, in spite of imperfections, we have lived and flourished as has no other nation in recorded history. It is important to note that in those countries where freedom has perished, there has gone side by side with its decline, a breaking down and denial of the Christian religion and in that country where the breakdown has been most complete, there has been accomplished the most thorough regimentation of the bodies and spirits of men. But a superficial unbelieving profession of the Christian faith will not withstand the disintegrating forces at play in the world today. Only a genuine, deepseated religious conviction carried over into practice can do that. The disciples who established the Ancient Church were not men who rationalized Jesus and his doctrines away, nor were satisfied with proclaiming him merely a great ethical teacher. When Jesus asked Peter, "whom do men say that I am," Peter gave him the various conjectures that men had ventured concerning him. Jesus then put it to him directly, "But whom say ye that I am?" Peter answered without equivocation or hesitancy, "Thou are the Christ, the son of the living God." That is the kind of living faith which carried the Christian religion into ascendency in the Western world and ultimately gave to the world our democracy. It is the only kind of faith that can save the world from the unchristian doctrine of regimentation and authoritarian dominance over the lives of men.

September Construction Contracts Awarded

Investment commitments for residential construction in September increased 3% over the dollar volume of contracts awarded in August in the 27 states east of the Rocky Mountains, it was reported on Oct. 15 by F. W. Dodge Corporation, a fact-finding organization for the construction industry. The report went on to say:

September residential contracts totaled $293,831,000 against $284,025,000 in August and called for the construction of 40,390 dwelling units. Publicly-owned dwellings account for 9% of the September dollar volume of awards, and amounted to $26,702,000.

Gains in residential contract awards were not uniform in all areas. Declines described as moderate to severe were reported by the Dodge organization for metropolitan New York, northern New Jersey, upstate New York, the southeastern states, western Pennsylvania, West Virginia, Ohio, the south central states and Texas. New England showed the greatest gains.

Nonresidential construction contracts declined from $211,530,000 in Aug. 1946 to $169,627,000 last month, while heavy engineering works fell from $184.354,000 to $156,399,000 in the eastern states, the Dodge Corporation reported.

The demands of government agencies on the available critical materials and equipment is revealed in a tabulation showing that 23% of the dollar value of all contracts awarded during the first nine months of this year was for projects listed as "publicly-owned," the Dodge corporation reported. September awards listed as publicly owned amounted to 30% of the total of all awards.

The total of all construction contracts awarded in the 37 states during the first three quarters of this year was $5.995.493,000 against $2.281.960 000 in the corresponding period of 1945 in the states east of the Rockies. Residential construction in the first nine months of this year aggregated $2.492.556.000. non-residential construction contracts totaled $2,182,054.000 and public works and utilities construction contracts amounted to $1,280,883,000.

Inflation Approaching Peak

(Continued from first page)

and services in the markets to satisfy the enlarged demands. These conditions push prices up. The price increases are the effect, the consequences, of the three basic inflationary influences.

All wars have resulted in inflation, because in war the government pours out money, while at the same time a large part of current production is for war instead of civilian use, and the goods are not available for purchase by the people who receive the money. We created money purchasing power without supplying the goods to absorb it. And although under the combination of patriotic incentives and lack of goods people increased their savings and bought vast amounts of government securities they could not supply all the money the government needed. The government borrowed from the banking system. Thereby it increased the money supply, and met its needs.

Inflationary Forces

From the beginning of the war to the end of 1945 the money supply, consisting of bank deposits subject to check and of currency outside the banks, increased more than three times. In addition, the people of the country held other liquid assets — time deposits, war savings bonds and other government securities — in an amount also more than three times the prewar figure. Total liquid assets were $225 billion at the end of last year, compared with $65 billion at the end of 1939. The increase in the supply of money is the original and primary source of the inflationary pressure.

The war is over. The demands on the banks for more money to pay for the war ended with the Victory Loan drive in December, 1945. But the increase in the money supply remains. The goods which the money bought are at the bottom of the sea or dissolved into the air, but the debt remains and the money remains.

During the war wages and materials costs rose, and prices of all the industries — not merely those of public service corporations — were brought under regulation. The great solvent of the earnings problem, despite the squeeze between rising costs and relatively inflexible prices, was the rise in volume. We started our war production program in 1940 with large unemployed resources, and with a wide margin for expansion of output. We had eight million workers unemployed and our steel industry, to take only one example, was operating when Belgium was overrun at only 65% of its capacity. First we put the unemployed people and plant capacity to work. Second, we increased capacity not only by building new plants, opening new mines and buying more materials abroad, but by putting people to work who in normal times would have been retired, would have stayed in the homes, or would have been in school. We built up our total labor force, including the armed services, to 67 million, which was somewhere from 7 to 10 million above normal. At the peak we had 7 or 8 million more people at work in this country than in 1940, despite the draft of 14 million into the armed forces. Every producer of goods and services, including the waterworks, felt the stimulas of the demand resulting from this immense enlargement of activity. The increase in costs was manageable because of the expansion in the gross.

At the end of the war there were sharp divisions of opinion as to the effect on business and the real nature of our economic problems. On the one hand was the fear of an immense volume of unemployment as workers were released from the war plants and veterans from the armed forces. On the other were the stark facts of the trebling of the money supply and the liquid assets of the country during the war, together with the immense deferred and replacement demands for goods of all kinds.

It is now clear in retrospect, as it seemed to many of us at the time, that what we had to fear was never deflation, but a more active inflation than we had experienced while the inflationary forces were being created. One danger was that people would rush into the markets and compete, before the industries were ready to supply them, for the goods which had become scarce during the war. To avert that, the need was restraint by consumers and the highest degree of unified and cooperative effort to get production going. The second danger was continuation and acceleration of the cost-price spiral. The need was to keep hourly wage rates stable or at least to hold increases within a range that would be justified and supported by high man-hour output. We needed stability and patience — patient waiting by buyers for the goods they wanted and patient waiting by labor for the wage increases which improved technology and productivity would later bring them. We needed above all, a willingness to buckle down to the job of getting the productive organization back into peacetime working order.

Fumbled Opportunity to Stop Inflation

It is needless to say now that we fumbled this opportunity. For two or three months after V-J Day the prospect was bright beyond all expectations. There was reason to think that the automobile industry and durable goods in general would be under strong momentum by the turn of the year and moving toward full production by spring. Meanwhile, however, the conditions which have led both to curtailment of production and to increases of costs were developing. Mistaken fears of deflation and depression led the government to support demands for large wage increases and other measures "to maintain purchasing power." Government memoranda arguing that large wage increases could be paid without advancing prices strengthened union demands.

The moment when these forces culminated was marked for history, I think, in two sentences uttered by Mr. C. E. Wilson, President of the General Electric Company, a man devoted as thousands and millions of others are in this country to the philosophy of trying to make goods better and at lower costs. Just before Christmas Mr. Wilson announced the decision of the General Electric Company to offer a wage increase and to apply for price increases. He said it was apparent that "the company can no longer adhere to its policy of maintaining prewar price levels. We regret that through this decision we join the forces of inflation."

Let us take note of those words as a curtain dropped on a glorious opportunity, as a reluctant retreat before a national failure to establish policies and achieve unity in making them effective which would have provided a stable basis for the reconversion period.

From the war's end until near the present time the inflationary forces have hardly been checked. Wages have risen, costs have risen, and prices have risen. Moreover, people have not pulled together well enough to get the productive organization working at full capacity and keep it going that way. Employers pay the highest wages in history but worry less about their wage scales than they do about the willingness of their labor to do an efficient day's work. In public statements labor leaders join with employers in emphasizing the need of production to raise living standards, but along with this goes emphasis on higher money wages, on shorter hours, on payments for longer vacations and other non-productive time. Union rivalries, organizational and jurisdictional disputes, and petty strikes over petty causes create friction. A record-breaking industrial employment fails to produce a commensurate output, measured by past standards.

In all this there is one encouraging feature. The creation of purchasing power through government deficit financing for all practical purposes has come to an end. As early as the first quarter of 1946 the government budget was balanced, in the second quarter there was a deficit, in the third quarter again a small surplus. A small deficit for the full fiscal year 1947 is indicated. But on a cash basis, including the intake of Social Security taxes, the government will take in more money from the people than it pays out.

This means that the piling up of inflationary pressures resulting from the government paying more money to people than it takes away from them has ended. The dimensions of the inflation problem are reduced accordingly. Unfortunately the improved budget showing is attributable not to the kind of economy that ought to be enforced but to a burden of taxation which is continually and heavily oppressive. The total of the Federal budget for the single peacetime year 1947 is far above the total cost of our participation in the first world war; it is far more than we spent in the ten years from 1921 to 1930 inclusive; and it is more than our expenditures in five years of large spending from 1935 to 1939 inclusive.

The Current Situation

This brings us to the current situation. If you gentlemen were in Wall Street and had your noses buried in the stock market you might say at this point that it is time to stop talking about inflation. The most spectacular development in the economic situation this Fall has been the break in stock prices, which obviously carries the tag not of inflation, but of deflation.

Before dwelling concretely on the current situation, let me first try to tell you in general terms what usually brings an inflationary spiral to its end. There may be two general causes. One is that the expansion of bank credit — and the creation of purchasing power thereby — come to an end because credit resources become strained. This was a contributing cause of the 1920-21 depression. Then credit was employed excessively in carrying distended inventories and in financing commodity speculation over the world. Banking resources were strained to the point where the Federal Reserve System had to adopt restrictive polices.

The second principal way in which an inflationary spiral may be brought to an end is through the distortion of cost-price relationships. All business and trade consists of the exchange of goods and services. The essential condition of keeping trade going is that prices of goods and services shall be fair and practicable, so that each group of the population can sell to and buy from all other groups. It is a characteristic of inflation that prices of all products and incomes of all groups of the population do not move up together, but unevenly. Those whose incomes lag lose purchasing power for the products of those whose prices are pushed up most. This disparity weakens demand. If demand weakens because some groups cannot buy, production will fall off, payrolls drop, and incomes of other groups will decline. Excessive costs and unbalanced prices have brought on recessions in the past when there were undeniable needs for housing, automobiles and other goods to be filled.

Credit Expansion and Cost-Price Distortion

When we look at the current situation we note, first, that credit is immensely expanded today, but it is credit based chiefly on government debt of which there will be no forced or disorderly liquidation. In fact, I doubt that any of us expect any substantial government surplus or debt retirement, and as long as the government debt stands in the banks the deposits, that is the money created by it, will stand also. The amount of credit employed in carrying securities is, relatively, the lowest in modern times. For example, security loans of the leading member banks on other than government securities are probably not over 15% of their 1929 peak and probably only about one-fourth of their 1920 level. However, the economic panorama unfolds, the painful task of paying down loans on stocks that have declined on market value will not be a serious drag on consumer spending. The reserve position is not strained and no one expects restrictive policies comparable to those of 1920 to be established.

When we explore cost and price relationships, however, we come to a less favorable answer. The imbalance now most to be feared is that created by the rise in the wages of organized labor above what its productivity would support. The effect is to raise industrial costs and prices above the buying power of less favored groups, including those living on relatively fixed incomes. When organized labor, which constitutes but one-fourth of the working population, puts a price on its services which places its product beyond the reach of purchasers it is pricing itself out of the market.

These are the main uncertainties in the situation. It is not a sufficient answer to them to say that the industries can bear the wage increases, for the idea so widely entertained a short time ago that wages could be raised 15 to 25% without raising prices has been disproved by the event. There is still another side to the matter which is of special importance to the regulated industries. If wage rates are lifted to the most the producer can bear when he is driving every facility at its fullest capacity, what will the situation be when this condition changes? In this connection I should like to quote a distinguished European economist, for the past few years a student of American affairs, Dr. L. Albert Hahn. Discussing the distortions of prices and wages which result from inflationary pressures, Dr. Hahn says:

"Even where price rises are avoided the economy will prove increasingly vulnerable. Wages are under the permanent upward pressure. The ensuing wage increases—where they do not lead to unemployment — are bearable only because the huge turnover due to the enormous pent-up demand cheapens and alleviates production and distribution. It is a very high-strung system, in which the price-cost relationship remains tolerable only so long as everything works full blast and at high speed. As soon as the slightest slackening in demand will set in, many enterprises will have to shut down because of the losses they suffer. Exactly as at the onset of every depression, the boom will collapse through the losses that the marginal enterprises begin to undergo; only that, this time not the decline of prices, but the decline of turnover will be the initiating cause."

In other words, says Dr. Hahn, break-even points are too high. This seems to me one of the most important aspects of our current situation. Those are fortunate industries which by nature enjoy a highly stable demand, or which serve an expanding community, or which are still in their growth period. Such industries are less vulnerable to the dangers described by Dr. Hahn than are the heavy machinery industries, which are peculiarly subject to cyclical fluctuation. Yet none are wholly immune to fluctuations in volume, or to the damage that a high break-even point can wreak when volume turns down. The erosion of profit margins on sales begins to tell then. The erosion of the rates allowed by the regulatory commissions to public corporations will also begin to tell, when it is no longer obscured and absorbed in expanding volume.

In my remaining time I should like to offer you an opinion as to where we may be in the inflation-deflation cycle, and what are the crucial points to look for. As I said earlier, the piling up of basic inflationary pressures which come through increasing the money supply actually came to an end last December. At that time the government took money away from people by selling them Victory Bonds, and during 1946 it has applied that money to retirement of some of the government debt held in the banks. Also during 1946 the government budget has been nearly balanced. The money supply have been increased by private borrowing from the banks, but the rise from this source has been less than the drop caused by retirement of government debt. Hence the money supply, and the basic inflationary pressure which it generates, has not increased during 1946.

Nevertheless, inflation in the practical sense has continued to mount through the use of purchasing power previously created and through the inflationary behavior of people. A lot of us have been pushing too hard to get more out of the productive organization than it could produce. We have been trying, for example, to build more houses than we had nails, doors and flooring for. The pressure to get more than is available, in so many lines, does not bring out the goods but it does push up costs and create black markets. Labor at the same time uses its monopoly position to push up money wages, heedless of the effect on costs. The beneficial results which ought to follow from halting the expansion of the money supply are lost in an atmosphere of heedlessness and of too many people trying to get something at the expense of somebody else.

Approaching Inflation Peak

It seems to me that we must be approaching the peak of the inflationary phase of the cycle. To support the opinion several facts can be adduced. One is that in many trades the distribution pipelines are unquestionably being filled, and the volume of goods becoming available to consumers is increasing. Second, our farms this year have yielded the blessing of abundant cereal crops, and these ample feed supplies lay the foundation for a coming increase in the output of livestock products. Most authorities think that farm prices in general are about at their peak.

A third fact is that in some lines high costs are having their usual effect of cutting off demand. They have caused the paring down and postponement of a good deal of industrial expenditure, and they have driven a good many customers out of the housing market.

My fourth point is that the deadline in stock prices has induced a certain amount of sobriety. Concern is expressed as to

the unbalance of inventories and the size of outstanding forward commitments for merchandise. In a good many quarters re-examination of buying policy is taking place.

It is fortunate that awareness of our inflated position has spread, and that people have started asking questions about it, at a time when there are still powerful supporting elements beneath the business structure. These supporting elements are the unsatisfied demands for goods both at home and abroad. The need for residential building can be projected far into the future. Automobile production has not yet caught up with the current rate of scrapping. The whole world wants American goods and most of our important customers can pay for them.

With these elements of strength the situation can stand some weakening of demand. It can stand a fall in black market prices and others that have been inflated beyond reason. It can stand the kind of recession that might lead to better quality goods and services.

To the extent that demand exceeds possible supply an abatement helps rather than hurts. If people will take their turn and not ask the economic organization for more than it can produce, they will gain through more orderly operations, fewer bottlenecks and less waste. The situation will be easier for those who have to go ahead now and others may reasonably hope for better work at lower costs by waiting.

Historically of course recessions from inflationary conditons have not stopped at precisely the right point where excesses are corrected without any particular unemployment, losses or distress. But if the heart of the danger is in labor costs and productivty, as so many believe, the encouraging aspect is that it is within the power of people to improve the situation. We need higher output per man-hour to increase production and reduce costs. We need stabilty and industrial peace. Conversely, the gravest dangers that threaten us are a fresh round of strikes and wage increases and continued low output per worker. The missing element necessary for a long prosperity is the insufficient emphasis on production and the insufficient concern for the general long-run welfare, as opposed to what people think they can get out of the situation at the moment. It is within our power as a people to halt our inflation, correct our excesses and minimize our deflation by discipline and cooperation.

No Disasterous Inflation

I see neither necessity for nor likelihood of extensive disastrous deflation. One of the salient facts in our position is that our money supply is unlikely to contract much within a forseeable time. This is because it is based mainly on government debt and to that extent can be contracted only by retiring government debt, whch few expect. This fact alone portends a substantially higher price level in the postwar period than before the war. The monopoly position of labor points in the same direction. We need not feel that we must retrace our steps to the prices of 1939. Rather the problem is to bring about a balance of prices and costs on a new level, on which business will go ahead safely. Permanent is a word which no sensible economic commentator will use, but for practical purposes we must assume relatively high costs and price levels for about as long as it is possible to look ahead.

We should not, through current business polices, contribute to inflation. Emphasis should be on economy and saving and retirement of debt. It is sound sense to postpone capital expenditures where it is practicable to do so. The squeeze of costs against prices will become no easier, since in many cases the possibilty of absorbing further cost increases through higher physical volume is past. Fortunate are those for whom it is not past.

There is a maxim that "hard times make hard work." Some people are amending this to read "*only* hard times make hard work," and predicting depression accordingly. The objective of all should be to prove them wrong.

Freight Cars on Order Again Up in September

The Class I railroads had 61,419 new freight cars on order on Oct. 1, 1946, the Association of American Railroads announced on Oct. 22. This included 15,450 hopper (including 2,154 covered hoppers), 5,807 gondolas, 1,199 flat, 21,490 plain box, 8,530 automobile, 8,343 refrigerator, 200 stock and 400 miscellaneous freight cars. New freight cars on order Sept. 1, last totaled 50,169 and on Oct. 1, 1945 amounted to 38,315.

They also had 555 locomotives on order on Oct. 1 this year, which included 65 steam, six electric and 484 Diesel locomotives. This compared with 535 on the same date last year, which included 129 steam and 406 Diesel.

New freight cars installed in service in the first nine months of 1946 totaled 30,625, which included 12,214 hopper (including 2,932 covered hoppers), 4,259 gondolas, 384 refrigerator, 119 flat, 2,003 automobile box, and 11,346 plain box freight cars. New freight cars put in service in the first nine months of 1945 totaled 30,590.

They also put 383 new locomotives in service in the first nine months this year, of which 77 were steam, and 306 were Diesel. New locomotives installed in the same period last year, totaled 457, of which 62 were steam and 395 were Diesel.

The figures given above include only locomotives and commercial service freight cars installed and on order by Class I railroads and by railroad-owned refrigerator car lines. Locomotives and cars installed or on order by private car lines, short-lines or industrial railroads are not included.

Sept. Freight Traffic 1.1% Under a Year Ago

The volume of freight traffic handled by Class I railroads in the first nine months of 1946, measured in ton-miles of revenue freight, was approximately 19.4% under 1945 and about 22.5% less than in the corresponding period in 1944, according to a preliminary estimate based on reports received from the railroads by the Association of American Railroads. Freight traffic in the first nine months of 1946 totaled approximately 431,300,000,000 ton-miles compared with 535,800,000,000 ton-miles in the same period last year. Compared with two years ago, the decrease was 125,000,000,000 ton-miles.

September traffic amounted to about 52,000,000,000 ton-miles, a decrease of 1.1% compared with September, 1945. The amount of traffic handled by the Class I railroads in September this year, however, was 56% greater than the volume carried in September, 1939.

The following table summarizes revenue ton-miles statistics for the first nine months of 1946 and 1945 (000 omitted):

	1946	1945	Dec.
1st 7 mos.	324,285,888	425,374,735	23.8%
Mo. of Aug.	*55,000,000	56,800,000	3.2
Mo. of Sep.	†52,000,000	52,600,000	1.1
Tot. 9 mos.	431,300,000	534,800,000	19.4%

*Revised estimate. †Preliminary estimate.

How Far Can Federal Expenditures Be Trimmed?

(Continued from page 2072)

bold, but, perhaps a frank statement in view of the approaching Congressional elections. Rep. Harold Knutson, ranking Republican member of the House Ways and Means Committee, urges a 20% all-round tax reduction, and this, he says, can be obtained by cutting down Federal outlays. Senator Harry F. Byrd of Virginia, the official missionary spreading the gospel of government economy and fiscal reforms, has been again calling for administrative trimming of budget estimates. And we are hearing more in the forthcoming elections regarding Federal extravagance, wastefulness and inefficiency. It is a target which even the first New Deal Democrats, who subsequently were so bountiful in the use of the peoples' money, shot at in their first Presidential campaign 14 years ago.

The Budget Situation

But let us examine the situation which will confront the National Government in the years immediately ahead. And, as Al Smith used to say, "Let us Look at the Record." How far can Federal costs be trimmed?

The government, like a business concern, has fixed expenses and variable expenses. The fixed expenses are mainly the result of firm commitments, which cannot be altered, except through repudiation or impairment of contracts. War, itself, is the cause of much of this fixed future outlay. The service and amortization of the National Debt, pensions to veterans and others, the care of the ill and wounded victims of the war, together with the vast machinery for administering these functions are all in the nature of fixed charges, the burden of which falls on future taxpayers, extending throughout several generations. Then, there are the expenses relating to national defense which are not entirely voluntary or reduceable at will. These costs will, of course, depend on future international relationships, and, judging by the present outlook as well as by past experience, the outlays may be expected to be maintained on a large scale,—certainly, much higher than in the prewar period. When these defense outlays and the absolutely fixed costs are taken into consideration—they constitute by far the bulk of the Federal budget—it will be clearly seen that the margin for trimming is relatively narrow and seemingly insignificant.

Regarding this point, F. W. Willoughby, a recognized expert in government finance, in his book, "Financial Condition and Operations of the National Government, 1921-1930" remarks; (p. 134):

"One frequently sees the position taken that the great cost of government is due to the insatiable demand of the several services of the government for increased funds in order to permit them to expand their activities; and, that if these services were put upon a more efficient and economical basis, the cost of government could be greatly lessened and the taxpayers' burden correspondingly reduced. It is of course highly desirable that every effort should be made to have the work of these several services conducted upon an economical and efficient basis. At the same time, it should be recognized that any real important reduction in the total of government expenditures; that is, a reduction such as would make possible real relief must take place in the non-government costs—meaning costs other than for operating the government proper, or the items having to do with the War and Navy Departments with their military and naval establishments. Thus the total cost of maintaining and operating all of the civil services in 1930 was but $540,804,378, out of a grand total of $3,994,152,487, or only approximately 14%."

As the national budget of expenditures stands today, the percentage of civil service costs is even smaller. It is estimated that of $41 billions of Federal outlays in 1946, not more than $2 billions comprise civil service of Executive and Judicial Departments, and it is in these categories that proposed economies can best be applied.

Estimate of Future Expenditure Budgets

A number of estimates were made during the war period of the extent of postwar budgets. They range from $15 to $40 billions. Thus, a study of the Brookings Institution publised in 1945 forecasted Federal expenditures in 1949 at a minimum of $18 billion and a maximum slightly under $26 billions. This compares with Federal expenditures just prior to the war of about $9 billions. As the additional fixed charges arising from the War, will, at a minimum estimate, add at least $10 billions to the annual budget, an estimate of a Federal annual outlay of $25 billions is indeed highly conservative and, from a realistic view, entirely over-optimistic. And, when it is considered that even during the war period the Federal government, aside from projected public works, has been assuming larger functions, all entailing increasing outlays of a current as well as a special nature, to add $5 billions or even $10 billions to the $25 billions minimum, will bring the budget near to the point where it is hardly covered by tax receipts, under conditions of high employment and prosperity.

Budget Reductions After World War I

Now, let's look at what happened after World War I. This was a period in which the avowed purpose of the Administration that succeeded the Wilson regime was one of economy. In fact, the trimming of Federal outlays began before the elections, and government bureau after bureau, which had run wild with public funds, through waste and expansion, as at present, had their appropriations cut down. Moreover, following the Disarmament Conference in 1921, the War and Navy Departments' budgets were cut to the bone. Thus, the War Departments' outlay declined from a peak of $9 billions in 1919 to $451,800,000 in 1922. This compared with a peace expenditure in 1917 of $377,400,000, barely one-quarter less. The Navy Department, which spent $2 billions in 1919, expended less than a half billion in 1922. As to other expenditures, the changes compared with the prewar year of 1917 were not substantial. The outlay for such purposes increased roughly from $1⅓ billions to $1,477,100,000 or about 12%. As to the interest on the public debt, the highest annual outlay was slightly over $1 billion in 1920, this declined to $991 million in 1922. As a result of these reductions the total government outlay in 1922 was around $3 billions or slightly more than one-third of the prewar figure, and not greatly above the amount represented by the increased burden of the public debt.

Can Defense Costs be Reduced?

It can be readily seen from the above comparison that along with the Calvin Coolidge economy, the reduction in the cost of government after World War I came chiefly from drastic curtailment of defense outlays. It is doubtful whether the same policy can be renewed under present international conditions. The isolationist policy of the United States has been definitely abandoned. The present day international temper, notwithstanding the terrifying implications of the atomic bomb, is exceedingly bellicose. We must continue to keep large armies of occupation in Germany and Japan, and, in view of our commitments under the United Nations Organization and our determination to maintain peace in all quarters of the globe, a large, and efficient army and navy is essential. Thus, it may be expected that defense outlays will continue to be large, though, of course, much below the level of the war years. To this vast outlay we may expect increased liberalized veterans' aids and expanded pension payments. This was the trend after past wars, and, in view of the political strength of the veteran element in the population, it may be the expected in the immediate years to come.

Added to all this, is the higher cost of running governments and business. Higher wages and higher prices affect governments as well as the public. The depreciation of the purchasing power of the dollar, which was a short and transitory matter after World War I, may be assumed to become a permanent condition, unless some unexpected boost in national productivity comes about.

Conclusion

Thus, if future peacetime budgets are to be in balance, there appears to be little hope for substantial tax reductions. The Federal Government alone will continue to extract from the public pockets a fourth to a third of private earnings. And any new economy-minded Congress will find it difficult and impractical to trim to any substantial or effective degree the Federal expenditures.

The hope of taxpayers lies in the expansion of the national income; in greater economic productivity and in a reformed fiscal system, rather than in reduction of immediate government outlays. A reformed and more equitable tax system, if properly devised and executed can lower taxes and at the same time increase Federal revenues and this is the one positive way open at the present time to relieve the heavy burden of taxation which is depressing the nation. Unless this is done and the trend of the last century is reversed, and governmental functions are cut down instead of being constantly enlarged, higher and higher scales of Federal taxation are to be expected. Certainly, the rosy predictions made during the war that we will have a national government budget of between $15 and $18 billions (as stated by the Committee on Postwar Tax Policy) seems visionary. Even under the present severely burdensome tax structure, a balanced budget in the years ahead is still doubtful.

Greek Funds Released

Secretary of the Treasury Snyder announced on Oct 15 that Greece has been added to the list of countries whose blocked accounts may be released under the certification procedure of General License No. 95. The Treasury's anouncement added:

"This action was taken after an exchange of letters between the Charge d'Affaires a.i., of the Greek Embassy acting on behalf of the Greek Ministry of Finance and Secretary Snyder similar to those written in connection with the defrosting of the countries previously named in the license. Copies of the letter are available at the Federal Reserve Banks of New York, Chicago and San Francisco.

"The Greek Government has designated the Bank of Greece as its certifying agent."

Outlook for Business and the Securities Markets

(Continued from page 2070)

us as much as the implications of the trend towards substantially higher levels over a period of time.

We had become aware of the fact that the physical volume of consumption at retail had not increased since March and that it probably had declined. The change from a rapidly increasing trend to a declining or stationary trend of physical volume of consumption suggested to us that the basic economic position was becoming less favorable. The rapid increases in retail prices and the prospect of further price increases this Fall and next year further increased our concern about the longer-range outlook.

These current developments might assume a more serious character because of more basic and longer-range economic trends. These can be discussed under four important headings.

Spending Spree by Consumers

Since the war ended the American public has been engaged in a spending spree unequalled in history. From last Fall until this Fall the public increased its current rate of spending as much as normally would take place in an entire business cycle lasting several years. This spending spree was made possible only because of a reduction in the rate of consumers' savings out of current income to normal or less than normal from the extremely high rate of the war years. The relief that the war was over, the need for many types of goods and services, the large accumulated savings, and the high level of current income prompted this wave of spending. At the present time, the consumer is spending at a rate in line with his current income. Any further substantial increase in spending can only come about through a further considerable increase in national income, through borrowing on instalment or through the use of accumulated savings.

There will be a moderate further increase in national income because of a further increase in production and increased wage rates in some industries. No doubt instalment loans will also increase and some people will use accumulated savings as a means of increasing their spending. Yet it doesn't seem reasonable to anticipate a substantial increase in the rate of consumer spending through the remainder of the boom.

The consumer has been spending lavishly in the face of rising prices of retail for goods and services that have been available. He has spent for soft goods, movies, liquor, travel and other items that he could obtain. Much of the merchandise and services have been of an inferior quality at high prices. Two current developments will effect the continuation of this spending spree. One has already been mentioned, the sharply rising prices at wholesale and retail. The other is the rising tide of consumers' durable goods coming on the market during the next few months. Since the total of consumer spending will not increase greatly from the present level it is obvious that the market will be unable to take all the goods and services now being bought and at the same time absorb the tremendous amount of consumers' durable goods which are now being manufactured and will shortly become available.

The implications of this development in our economy are important. The consumer will have to shift his spending to a considerable degree from soft goods and services to consumers' durable goods such as washing machines, refrigerators, electrical appliances, furniture and furnishings and automobiles. This shift in spending is coming at a time when prices at retail are rising and when we are certainly pricing ourselves out of a part of the market for these goods. The result will surely be intensified competition, particularly in soft goods and consumers' services, a buyer's market in many items and lower wholesale and retail prices for many consumers' goods.

The present boom has been concentrated in soft goods and services rather than in a wider range of consumers' goods, including consumers' durable goods. This unusual feature arises from the slowness of reconversion of the consumers' durable goods industries. The public did not wait for these industries to reconvert before spending its money in lavish fashion. Now when reconversion in consumers' durable goods is near completion, consumers have lifted their spending to a high level and retail price increases are taking the edge off prospective markets.

Capital Expenditures by Industry Are High

The second basic point that should be considered is the high level of capital expenditures by industry for plant equipment. All you have to do is to take a look at the orders for machinery and equipment or the contracts let for industrial and commercial construction. Capital expenditures by industry are running at about three times prewar. Prices are up, but even allowing for price increases it is seldom that such a high level of capital expenditures continues for any length of time. The high level on a historical basis or in relation to the output of consumers' goods may be of less concern, perhaps, than the present trend of orders or contracts and the present trend of capital expenditures. Orders or contracts, and expenditures have been increasing lately at a rate which cannot be sustained. It would be comforting to believe that the sharply rising trend of the last few months will continue and that after that capital expenditures will stabilize and remain at a high plateau for two or three years. This sort of development seldom occurs in a free economy. Our economy is characterized by ups and downs and some times the fluctuations are extremely rapid. At present we seem to be headed toward the end of a sharply rising trend in capital expenditures by industry and it seems only reasonable to assume that this will be followed in due course by a sharp reversal. Such a sharp reversal cannot be many months off.

If increased competition should result in a lower rate of profits in many consumer goods industries, the current extremely high rates of capital expenditures may also be reversed. In that case, it is quite to be expected that these expenditures will be curtailed considerably in 1947 and 1948.

Activity at Present Is Close to Capacity

There can be little doubt that we are, at the present time running our economy at a level pretty close to capacity. Taking our history for many years in the past we know that year in and year out our economy does not run close to capacity. Whether it runs year in and year out at 70% or 80% of capacity is really immaterial. The point is that our economy operates at capacity for relatively short periods of time. The war increased our capacity to produce by a very large amount. No one can say how much capacity has been added but it may fall within say, 30 to 40%. If we are now running close to capacity the average level of business in the future is likely to be much below the present level but substantially higher than the prewar level. If we view the long-range business outlook in this over-all manner we conclude that the next major change of activity will be downward.

We must remember that we are at present experiencing many of the normal developments that characterize a boom. Rising prices, a very high level of business, shortages of labor and materials and many other developments that come to mind are typical of such a period.

Competition Will Reduce Profit Margins in Many Industries

The fourth and final consideration of importance has to do with profit margins. I expect that when we get all through with our reconversion to a civilian economy competition will result in profit margins no greater than those considered normal in prewar days even though the volume of business and the price level will be higher than prewar. We are going through a major readjustment of our economy in terms of productive capacity, the price level and the cost of doing business. After these readjustments we expect that competition will equalize the return on capital invested or on volume of business to a level not greatly different than that prevailing before the war. Many earnings estimates allow a very high volume of business in combination with very high profit margins. The high level of business easily can lead to the assumption that profit margins will also be much higher than before the war. This method of making estimates may prove fallacious.

Outlook for Stock Prices Only Mediocre

This in general is the background that I would use in judging the trend of the stock market. In the last analysis the trend of the stock market will depend upon the outlook for profits and dividends. Since the ending of the war we have had a unique situation. Many companies have enjoyed a sharp increase in sales and their profits have sky-rocketed. Other companies have had poor profits during the first two or three quarters of 1946 because of the effect of substantial cutbacks of armament orders, rising wage rates and price ceilings. The companies that enjoyed large earnings may show a substantial decline in earnings during the coming year in view of the outlook for business, while the companies in heavy industry that have shown poor earnings may show some improvement. This improvement in profits of heavy industry which is now underway may only last a few months before a decline in business causes a reversal. Such a situation does not provide a background for much higher stock prices.

Some Constructive Elements in Business Outlook

There are certain elements in the situation that should soften any decline that may occur in business and commodity prices. We have a large potential demand for consumers' durable goods and housing. We have a large potential demand for some types of construction including public works. The government will spend large sums for our military establishment and for other purposes which should exert a supporting influence in our economy. Therefore, we may not run into a serious depression but rather a temporary wash-out or recession lasting from a year to eighteen months. We may have a high level of consumers' spending with increasing competition, lower prices and relatively rigid costs, resulting in poor profits.

Any administration in Washington is more or less committed to a policy of maintaining relatively high employment and a high level of production in this country. If we have a decline in business and an increase in unemployment there is little doubt that the government will attempt to step in and take various measures to alleviate the situation.

Many Stocks Have Already Discounted a Great Deal

A great many stocks already seem to be selling at prices not much above long-term values, while others are selling much above long-term values. One of the jobs that we have is to appraise an individual stock from this point of view. It is unprecedented to have a number of companies reporting deficits or poor earnings during a period of intense business activity of boom-like proportions. These poor earnings have had a sobering effect in the market. Many stocks have already suffered as much as they do normally in a serious bear market. That alone should give us pause. While further readjustments in the stock market may well come we must remember that we are not dealing with the stock market as a whole, but rather with the markets for individual issues.

The Federal Reserve System and Credit Control

(Continued from page 2080)

sential to a stable peacetime economy equipped to realize its fullest potential in terms of output and employment.

Two and one-half decades ago, the banking system was in similar transition. Then, at the end of World War I, the Federal Reserve policies adopted had far-reaching importance for the future development of banking. At that time, the Federal Reserve System had only six years' experience behind it and that experience had been principally acquired in connection with problems of financing war. Today the Reserve System is fortunate in having a large reservoir of experience for shaping policies that will influence the future course of banking. Not only is the System able to draw on its experience in helping to finance two World Wars, but in addition it has available the broad and varied peacetime experience of the Twenties and Thirties and the strengthened powers which the Congress has seen fit to grant it from time to time. This war-time period, however, like the last one, has brought significant changes in the country's banking and economic conditions. These changed conditions give rise to a degree of uncertainty as to how the System can and will function in the period ahead, considering the aims and principles underlying its legislative authority.

What is Basic Conception of the Federal Reserve System?

At the time of the founding of the first Morris Plan back in 1910, the National Monetary Commission of the Congress was engaged in comprehensive studies of the banking structure to point the way to a stronger, more effective coordinated and flexible banking system. When the Congress became convinced that major defects in the country's banking organization might be substantially remedied by the addition of central banking facilities, it undertook to design a system suited to the existing dual and independent banking structure and under which that structure could be preserved. It also sought to devise central banking facilities that would be responsive to the varying banking conditions in different parts of the country and still make possible a uniform and harmonious banking policy for the country as a whole. It further conceived of a central banking system that would serve as a provider of elastic currency and a source of emergency funds to meet seasonal and temporary requirements of member banks. Finally, the Congress projected central banking facilities which would be adaptable to varying levels of business activity, to secular growth in production and trade, and to changes in the structure of the economy. The result was the Federal Reserve System, with its twelve regional Reserve Banks, each with original capital subscribed by members, these Reserve Banks to be supervised in their operations and coordinated in their credit policies by the Board of Governors.

Since inception of the System the Congress has seen fit on several occasions to modify various vital details of the original structure in order to make it more adaptable to the country's changing financial requirements. On the whole, the changes have worked to strengthen the structure, to clarify functions, and to delineate more sharply within the System the distribution of authority over credit policies. Through all of the changes, however, runs a very genuine consistency with the original broad purposes of Congress in creating the System. More important, the basic organization of the System remains unaltered, it continues to be a "grass roots" central banking mechanism. And its policies continue to be shaped by the interaction of regional and national influences which its fundamental structure makes possible.

Today the Federal Reserve System has some 6,900 members, including more than 5,000 national banks and nearly 1,900 State banks. These member banks hold about 80% of the $160 billions of deposits of all banks in the country. Member bank reserve balances with Reserve Banks total about $16 billions and these balances serve not only as the basis of member bank deposits but indirectly as the basis of non-member bank deposits. Federal Reserve currency accounts for about 90% of all currency in circulation, and outstanding Federal Reserve credit comprises about one-half of the effective reserve base for the total of the country's bank deposits and currency outside of banks.

Changes in outstanding Federal Reserve credit exert a powerful influence on banking and monetary conditions. Increases in such credit under present conditions, not absorbed by increases in the public's holding of currency, add to bank reserves and permit a many-fold expansion in bank deposits. Decreases in Federal Reserve credit, not accompanied by reduced currency in the hands of the public, reduce bank reserves and may function to impose a many-fold contraction in bank deposits. Furthermore, such changes in Federal Reserve credit affect not only the reserves and deposits of member banks, but also those of non-member banks, which include most of your own institutions.

In setting up the Federal Reserve System to function as the nation's central banking mechanism, the Congress was not unaware of the strategic banking and monetary powers and responsibilities it was vesting in the System; nor of the likelihood that these powers and responsibilities would assume increasing importance with the passage of time. In addition to investigating fully the country's needs for central banking facilities, the National

Monetary Commission, for the benefit of Congress, carefully studied the credit operations of then existing central banks of other countries, and clearly set forth the nature of central bank functions in terms of their history up to that moment.

The findings of these studies greatly influenced the original framework devised for the Reserve System and the structural safeguards adopted to assure that it would function continuously in the national public interest without regard to immediate or long-run profits. They also influenced the decision to provide the System with discretionary powers to adjust its credit operations, within limits prescribed by statute, according to the needs of current banking and monetary conditions. The Congress indicated that certain powers should be exercised with a view to "accommodating commerce and business." Later, in strengthening the System's powers, the Congress expressed its aims in similar broad language, such as "the maintenance of sound credit conditions" and "the accommodation of commerce, industry, and agriculture," the bearing of System operations "upon the general credit situation of the country," preventing "injurious credit expansion and contraction," and "preventing the excessive use of credit" for speculative purposes.

Early Experience in Credit Control

Originally, the Reserve System was provided with two major instruments of credit policy. The first was power to determine interest or discount rates on loans which individual member banks may obtain from Reserve Banks by direct advances or by discounting paper to finance payments for agricultural or industrial products. The second major instrument was the power to supply banks with reserve funds or to withdraw such funds by the purchase or sale of government obligations. It was anticipated that Reserve credit influenced by these methods would meet the broad purposes of the System and that such credit extensions, under the discretionary powers governing them, could be geared to the temporary and longer-term needs of production and trade, without risk of inflation. It was the conception of the framers of the System that the discount rate was to be the principal instrument of credit control.

Under the circumstances prevailing during the first years of the System's existence, this conception was realized, not fully but in considerable part. While there was little need for Reserve System credit prior to World War I, the requirements of war finance that ensued quickly after declaration of war made necessary extensive loans to member banks. These operations resulted in part from the increase in Federal Reserve currency to meet the needs of expanded business activity, rising prices and higher costs of living, a pattern made familiar to all of us by recent war-period developments. They also resulted, and in large part, from methods of war financing. World War I expansion of Reserve and member bank credit finally induced an increase in rates on discounts and advances to members in order to check inflationary developments. After the war discount rates were further raised for these purposes. By early 1920 they were established at the highest levels ever set in the System's entire history.

The principles of discount rate policy developed in that formative period were in line with established banking practices. Discount rates were related to market rates on short-term open-market paper. Obviously, such assets yield to banks the lowest prevailing return and adjustments in bank assets are ordinarily made through paper of this type rather than through paper originating in direct customer relations. Experience with this method of discount rate operation, moreover demonstrated that changes in discount and money market rates were promptly and directly reflected in the cost of credit to bank borrowers. The experience further showed that changes in the discount rate also influenced the disposition of banks to lend to customers, that is to say, they affected the so-called availability of bank credit.

Developments During the 20s

After the experience of the World War I period, the Reserve Banks on their own initiative commenced to function through open-market operations. These first experimental operations had disorganizing effects upon the government securities market and tended, together with other monetary developments, to induce undue ease in the general credit situation. In order to bring about coordination of open-market operations of the several Reserve Banks and to assure their administration with the same objectives as discount rate policy, namely, "the maintenance of sound credit conditions," the System organized an Open Market Investment Committee early in the 20s. From this point on, discount rate and open-market operations were employed as twin instruments of central banking policy, with a coordinated effect on general bank credit and monetary conditions.

The objective of Reserve System credit operations throughout the balance of the 20s was to maintain sound credit conditions in terms of the relation of total bank deposits and currency to the volume of production and trade, and so to contribute to greater business and financial stability. Accordingly, credit operations were directed to tighter and more costly credit conditions when business and speculative activity appeared excessive and, conversely, in the direction of easier and cheaper credit at times of business recession. They were also directed at reducing seasonal and other temporary disturbances in credit conditions. In the end, these methods of operation were decisively upset by the feverish stock market speculation of the late 20s which, together with business recession, brought to a close one of the longest bull markets in stock prices in history.

Prior to the establishment of the Reserve System, the market for stock exchange loans had served some of the important functions of a central banking mechanism. It provided a ready market for surplus bank loans funds and a ready market from which funds could be withdrawn. The introduction of the Reserve System did not alter in any basic way the role of the call loan market; in fact, under the impact of the great bull market of the 20s stock market lending assumed increasing importance and involved an increasing volume of bank funds. In addition to this development, banks were making a growing volume of loans to customers secured by stock exchange collateral and were also expanding their holdings of corporate securities.

As a result of these conditions, stability of banking became closely dependent on the price stability of security market collateral. Consequently, while overall credit conditions were not basically inconsistent with the System's adopted standard for sound credit conditions, dependence of many bank assets for their soundness upon stability of security values did expose the banking system to the risk of bear market conditions. The exposure was a matter of increasing concern to Reserve System officials and led to the application for a brief period of direct pressure on individual member banks who were borrowers of Reserve Banks to liquidate their stock market loans. This policy was quickly frustrated when loans to the stock market by lenders other than banks expanded in 1929 at an extremely rapid rate. Discount rates were then raised sharply as a warning to the strong speculative forces prevailing, while open-market operations sought to avoid an undue tightening in the credit situation. Viewed as a whole, this experience in administering credit policy during the late 20s made it clear that speculative credit expansion could not be held down by discount rates and open-market operations without putting the entire credit structure of the economy under severe and excessive strain.

Reconstruction of Credit Control in the Thirties

The unprecedented banking crisis which followed the 1929 break in security prices put the Reserve Banks in the position of lenders of last resort, making funds available in a limited way through open-market operations, but largely in response to the initiative of the money market. After the storm of crisis and credit liquidation cleared away, easy credit policies again became the order of the day. At this point, however, unsettled international conditions, together with the country's favorable creditor position strengthened by dollar devaluation, drew gold in substantial amounts to our markets. Largely because of the gold inflow, bank reserves increased far in excess of requirements. Conditions of extreme credit ease thereupon developed in the money market without benefit of Federal Reserve credit operations. In these circumstances, the Reserve System found itself without power to exert much, if any, restraining influence on banking and monetary conditions.

Defects in the credit powers of the Federal Reserve System brought to light by the banking crisis and by changed financial conditions were the subject of discussion and remedy by the Congress during the period 1933-1935. The System's discount powers were enlarged by making all sound assets of banks the potential basis of advances by Reserve Banks and by giving the Reserve Banks a limited power to lend directly to established businesses unable to obtain credit elsewhere on a reasonable basis. Second, A Federal Open Market Committee was established by law to coordinate open-market operations and to integrate them with other System credit policies. Third, the Board was given an additional major instrument of general credit control in the form of power to change member bank reserve requirements within statutory limits. Fourth, the Board of Governors was given the power to influence credit conditions by determining maximum interest rates on time and savings deposits. Fifth, the authority of the System to apply direct influence on member banks in periods of speculative excess was strengthened by empowering the System to refuse credit accommodation to members making undue use of bank credit for speculative purposes, and also the power to regulate the proportion of member bank credit represented by loans secured by stock or bond collateral. Finally, margin requirements on registered securities for all lenders became subject to determination by the Board.

The first five of these changes in basic credit powers gave the System greater flexibility — in terms of preceding experience and contemporary conditions—and enhanced the System's powers to influence the supply, availability, and cost of bank credit. The sixth, that relating to margin requirements on security loans, was an innovation in central banking instruments. It provided the System with an instrument for influencing the demand for a particular type of credit, subject to especially wide fluctuations, by cutting down the borrowing power of persons seeking credit for the purpose of purchasing or carrying securities.

Subsequent to the adoption of these changes in instruments for influencing bank credit and monetary conditions, Reserve System credit policies were generally in the nature of adjustments to the prevailing easy credit conditions that resulted from international financial influences. During the revival of the mid-Thirties, reserve requirements were increased to prevent the large volume of excess reserves from becoming the basis for an injurious credit expansion and to place the System in closer touch with the credit market. Concurrently, open-market operations were used as a means of moderating temporary disturbances in the money market and of maintaining orderly conditions in the government bond market. In the same period, with the rise in stock speculation, the Board made upward adjustments in margin requirements. During and after the business slump beginning in 1937, downward adjustments were made in both reserve and margin requirements and also in discount rates.

These actions confirmed the general pattern of System credit policy followed in the 20s, namely, of adjusting policies with a view to moderating booms and depressions in business activity. There was, however, a fundamental contrast with the 20s in the mechanics of credit policy. Then, the main reliance for this purpose was on the traditional central banking instruments of discount and open-market operations. In this period, because of the changed financial conditions prevailing, major emphasis was placed on the System's additional general instrument — the power to change reserve requirements, and its new instrument of selective credit control—the power to determine margin requirements against registered securities. While traditional instruments continued to be used, the altered financial setting made their role one of secondary rather than primary importance in governing general expansion or contraction in bank credit and the money supply. Open-market operations, in fact, had become chiefly an instrument to help maintain orderly conditions in the government securities market. Admittedly, however, expansion of the public debt during the 30s had made this market virtually the pivot of financial organization.

Effect of War on Credit Policy

On the eve of World War II, credit policies were largely influenced by international considerations. Gold stocks continued to accumulate at a rapid rate, increasing bank reserves and encouraging bank credit expansion. When war broke out in Europe, open-market operations were used to absorb sales by timid holders of government securities. No further credit policy action with regard to the System's general instruments was taken until the fall of 1941 when reserve requirements were increased to the maximum permitted by statute as a check on inflationary pressures being generated by the national defense program.

Also in the fall of 1941, the President issued an Executive Order authorizing and directing the Board of Governors to exercise a measure of control over consumer credit for the duration of the current emergency. This order gave rise to the System's second instrument of selective credit control, which as you all know, has functioned by limiting the terms on which consumer credit is extended, and thus restricting the demand for its use. Its purposes were, first, to restrain demand for consumer durables during the emergency period and thus to reduce inflationary pressures on available supplies of these goods; and second, to restrict the overall growth of consumer credit and of consumer buying power during this period and thereby to moderate inflationary pressures in general.

The major focus of credit policy after the nation's entry into war necessarily became assurance that an amply supply of funds would be available at all times for financing the war effort and that conditions in the government securities market would continue satisfactory from the standpoint of the government's requirements. Initially, this involved downward adjustments in discount rates to new low levels and some reduction in reserve requirements for banks in central money markets. Later, it entailed open-market operations in such volume as to provide banks with ample funds for meeting unusual expansion in the public's demands for currency and with adequate reserves for absorbing such government securities as were necessary to issue but were not sold to non-bank investors. As a further phase of all-out assistance in war finance and to assure that the cost to the Treasury of its expanding war debt would be held down, the System adopted stabilization of the prevailing pattern of interest rates as a primary objective of money market policy.

The close wartime cooperation between the Treasury and the Reserve System "made it possible to finance the most expensive war in history at low and stable rates." It also produced, however, an unprecedented expansion in bank deposits and the money supply. Over the period of war, the country's money supply—demand deposits plus currency in circulation—nearly tripled. In addition, time deposits nearly doubled and the public came into possession of a huge additional volume of liquid assets in the form of government securities. As the nation entered transition from war to peace, it confronted a redundancy in its monetary supply and liquid resources, and the reality of extreme inflationary pressures, largely from monetary causes. The money supply, which had averaged 50% of the economy's total product in the 20s and 70% in the 30s, had risen under war pressure to nearly 80%. The adage that "armies are easier to demobilize than the currency of war finance" threatened to be verified again.

Conditions of banking transition from a war finance to a peacetime basis has presented to the System a new set of credit policy problems. The System has had to recognize the changed role of Federal public debt in the economy's financial organization and the fact that this debt has become the dominant asset of commercial banks and in addition an important asset to other financial institutions. It has also had to recognize that its responsibility for continuing close cooperation with the Treasury in the management of this debt is a vital factor in the restoration of budgetary equilibrium of the government and in the maintenance of stability during transition of financial organization. Finally, it has been necessary to give account to the financing needs of commerce and business during conversion from war to civilian economy. Transition requirements of the government and the economy generally, therefore, have favored on balance the continuance of easy general credit conditions in the face of an inflationary postwar business boom, with maintenance of orderly conditions and stable interest rates in the government securities market a special focus of policy. Accordingly, the Reserve System

(Continued on page 2102)

The Federal Reserve System and Credit Control

(Continued from page 2101)

has once more responded to a changed credit situation by adjusting its policies to a balance of contemporary forces and considerations.

This does not mean that the System has been indifferent to further expansion of bank credit and the money supply during this inflationary period. Its close cooperation with the Treasury in debt management policies has contributed to a substantial program of retirement of maturing marketable public debt. Because of the large bank holdings of such debt, a degree of restraint on further bank credit expansion has been exercised.

In addition to these policies, the System has made vigorous use of available methods of selective control. It has encouraged the liquidation of outstanding loans for carrying government securities purchased in war loan drives. It has made maximum use of its powers to determine margin requirements for purchasing or carrying corporate securities. Finally, it has maintained with minor adjustments its selective control over consumer credit. As a result of these selective credit measures, a significant contraction in bank credit for carrying securities has occurred and some restraint has been imposed on the expansion of consumer credit. Thus, banks have had a greater margin of flexibility for accommodating transitional credit needs of commerce and business without excessive pressure for further overall expansion in bank credit and the monetary supply.

The Legacy of War Finance

From the standpoint of Reserve System credit policy, the legacy of war finance is a radically altered banking situation. Traditional instruments of general Reserve credit policy have been weakened, at least as far as restraint of bank credit expansion is concerned. In other words, these methods are no longer two-way instruments that can be used either to discourage or to encourage bank credit expansion. This is because commercial banks, with their large holdings of government securities, possess a medium for obtaining funds at will with which to expand other types of loans and investments. They can sell such securities to the Reserve Banks and create the reserves which may be used as the basis for multiple credit expansion. The Reserve System in its responsibility for maintaining orderly conditions in the government securities market and for protecting the pattern of interest rates on these securities is compelled by its policies to provide the reserve funds sought by commercial banks. This situation presents a problem for the future of credit control on which the Board reported to Congress in its last Annual Report. It is a problem that needs to be studied carefully by bankers and business men.

The area of selective credit controls is another field in need of careful consideration. Wartime developments have induced the System to put considerable reliance for specific purposes upon selective credit control instruments, both during the war period proper and during the transition. This has enabled the System to draw a line between limited and general objectives of credit policy. In view of its war emergency experience and also of the longer-run credit control problem with which the System is confronted, the Board, as you know, has asked the Congress also to give consideration to the addition of consumer credit control as a permanent selective instrument for maintaining sound credit conditions.

The action of the Board of Governors in bringing these matters to the attention of the Congress represents performance by the Board of responsibilities placed on it by the Congress to keep the Congress and the public informed as to basic changes in the character of the nation's bank credit and monetary problem. Because of altered banking and monetary conditions brought about by necessities of war finance and by underlying changes in commerce and industry, the Board's judgment is that the problem of System credit policy needs careful study and consideration at this time. This is essential because statutory authority under American democracy is the source of the System's credit control powers. From the standpoint of the constructive functioning of the Reserve System in future financial developments and from the standpoint of the public interest, it is desirable for Congress to determine the policy which should be followed with respect to the questions which have been brought to its attention by the Board.

* * *

We have traced the role and function of the Federal Reserve System in credit control from the System's beginning. The record is one of constant adjustment to rapidly changing financial conditions. Certainly the System has been flexible in its credit policies, but this has been necessary in our dynamic, free enterprise economy. It is a good thing at this point of reappraisal of the Federal Reserve System to view the System's credit control problem in terms of such long perspective; some aspects of this problem appear in quite a different light.

The System since inception, most observers would agree, has been a vital force in the financial development of a free economy. The problem of the future is to enhance its role in this respect in the public interest. The contribution of the System's credit policies to the public good would clearly seem to lie in maintaining banking and monetary conditions favorable to a stable and rising level of production and consumption, without inflationary or speculative pressures and without the undue monetization of public or private debt. Such banking and monetary conditions would be "sound" in any meaningful sense of that word.

National Air-Mail Week

Postmaster Albert Goldman announced on Oct. 1 that National Air-Main Week will be observed from Oct. 27 to Nov. 2, 1946, and invites the public to visit the General Post Office, 31st to 33rd Streets and Eighth Avenue, where an exhibit of air-mail maps, air-mail time tables, and an electrically operated air and train time schedule map are on display in the main lobby. Mr. Goldman says:

"The purpose of National Air-Mail Week is to encourage the use of air mail service considered the most expeditious means of mail transportation, and to bring to the attention of the public the reduction in air-mail rates from 8 cents to 5 cents per ounce or fraction thereof in all territories of the United States and its possession and to members of the armed forces abroad, including Canada and Mexico, effective Oct. 1."

Comprehensive Social Security

(Continued from page 2083)

one can see now, the rate of change, rapid as it has been, seems to be accelerating even more, rather than declining.

A World of Change

The reason I emphasize the fact that the postwar will be a world of change is because change means uncertainty and insecurity for the millions of human beings who will inhabit this postwar world. This, in spite of the fact that a basic human trait—perhaps we should call it instinct—is the yearning for security. This yearning for security manifests itself in many ways. Likewise, as society becomes more and more interdependent, the necessity of relying upon group action rather than individual action grows greater and greater.

Group action may be either governmental or nongovernmental in character. Thus, the businessman may seek a tariff or a railroad or a ship subsidy to protect himself against undue risks, or he may turn to business and trade associations to protect his interests. He may even join trusts or cartels to keep down what he considers undesirable competition. The farmer may seek a tax on oleomargarine or an embargo on Argentine meat or a parity price or government loans or government subsidies of one kind or another; or he may join farm organizations and farm cooperatives to assure himself a reasonable and stable income. The worker may seek government legislation prohibiting court injunctions or a Wagner Act preventing employer interference with labor organizations, or legislation placing a floor below wages and a ceiling over hours; or he may resort to his economic power through labor unions to control wages, hours, and working conditions. The consumer usually must rely rather largely upon governmental action to protect his interests. Thus, we have a law providing for meat inspection, a Pure Food and Drug Act, laws regulating weights and measures, a Federal Trade Commission to enforce truth in advertising, and of course an Office of Price Administration which undertakes to control prices.

Sometimes the yearnings for security on the part of businessmen, farmers, workers, and consumers clash. In fact, sometimes the yearning for security of the very same individual as a businessman or a farmer or a worker clashes with his yearning for security as a consumer. Naturally, businessmen and farmers and workers want to get high prices for what they sell as producers and pay low prices for what they have to buy as consumers. Under such conditions, it is of course necessary for the government to undertake to reconcile all of these yearnings for individual security in order to achieve the maximum amount of general security

Social Security

The particular form of security with which we are concerned is what has come to be called social security. Hardly a decade ago the very term social security had not come into existence. Now it is in the process of acquiring such an inclusive meaning that its usefulness as a term to describe a specific program of action is in danger of becoming impaired. Thus, we find world statesmen asserting that social security is the main motive of national life. We find it listed as a chief objective in the Atlantic Charter.

In the large sense in which it is used by statesmen, it covers all of the essentials of decent human existence, such as housing, education, health, and full employment—as well as elimination of destitution. However, in the narrower sense, when it is used to describe a specific program of action, it is usually confined to governmental measures designed to eliminate want by preventing the loss of current income.

Many well-meaning and socially-minded people believe that if we can maintain full employment and full production there is no need to set up a specific social security program to prevent loss of current income. However, these people fail to realize that even though we achieve the goal of full employment and full production the working people of this country will still be confronted with the great economic hazards of sickness, physical disability, old age and death. In our modern society these hazards cause far greater interruption of earnings and far greater destitution than unemployment, even the unemployment that occurs during a period of deep depression. Experience has shown that large numbers of persons are unable to protect themselves against these economic hazards through nongovernmental means.

Social Security Not Socialism

There are other well-meaning and socially-minded people who sometimes confuse social security and socialism. However, it does not require much analysis to demonstrate that socialism and social security proceed from diametrically opposite goals. Marxian socialism is based upon the theory of the class struggle. Social security is based upon the theory of social solidarity. Socialism aims at the destruction of private enterprise whereas social security is designed not only to preserve but to promote private enterprise. Social security enables a system of free enterprise to encourage invention, improvement, elimination of waste, variety and continual adaptation to changing ideas and circumstances without at the same time creating serious social problems. It does this by providing individuals with a minimum degree of protection against the loss of income which such changes often cause. Socialism aims at a redistribution of wealth. However, social security recognizes that all that a government program should do is to establish a minimum basic protection against loss of income, upon which the individual will be encouraged to build for himself a more attractive degree of well-being, through the well-known devices of individual savings, private insurance, and home ownership.

When we undertake to establish a social security system designed to provide a minimum basic protection and thus eliminate want, we are not striving for strange and new ideals; nor is it even necessary for us to depend upon strange and new methods. While social security in this country is a relatively recent development, it has been a familiar and recognized function of government in other countries. Indeed, it is one function of government which has grown and is growing, despite changes in government and two world wars. We have a world history and world experience upon which to base our planning and our action. Indeed, we already have in our own Social Security Act the fundamental elements of a program of social security designed to eliminate want. It is only necessary for us to extend, expand, and improve upon our present Social Security Act in the light of the experience and thinking that has developed since that act was passed in 1935.

Since the security of the large majority of people is dependent upon their earnings, the focal point of our efforts should be to provide reasonable protection against interruption of income due to sickness, accidents, old age, death, and unemployment. In other words, we should strive to devise a system which will spread income over periods of nonearning as well as over periods of earning. This can be accomplished to a large extent by a comprehensive system of social insurance under which benefits are paid to compensate for a reasonable proportion of the wage loss sustained. The cost of such benefits should be financed out of contributions made by the workers of this country and by their employers, supplemented ultimately with some contribution from the government, representing the entire community.

However, even a comprehensive contributory social insurance system cannot provide complete protection under all conceivable circumstances. Certainly an insurance system cannot insure against hazards that have occurred prior to the establishment of the system. Therefore, there is also need for a basic and comprehensive system of public assistance to meet the needs of individuals and their families which cannot be met out of their own resources.

Contributory vs. Public Assistance

As you know, there is a basic difference between a contributory social insurance system and a system of public assistance. Under a contributory social insurance system benefits are usually payable to compensate for a portion of the wage loss sustained, but without applying a means or needs test in the individual case. However, the benefit formula is usually constructed in such a way as to pay a greater proportion of benefits to low wage earners with large families than to high wage earners with no dependents. Contributory social insurance, as its name implies, is mainly supported by contributions made by the potential beneficiaries and by the employers of the potential beneficiaries. In contrast, public assistance is payable only on the basis of a showing of need in the individual case, and is usually financed out of general tax revenues.

A Single Comprehensive System

I believe that it is perfectly feasible to construct a single comprehensive contributory social insurance system that would cover all of the major economic hazards to which the workers of this country are exposed. The simplest way to accomplish this purpose would be to use the present Federal old-age and survivors insurance system as a foundation. Under that system there are already individual wage records established for 74 million individuals. These accounts are being maintained through the use of mechanical equipment at an average cost of 12 cents per account per year. There is no reason why these individual records cannot be used for the determination of benefit rights in the case of unemployment insurance as well as temporary and permanent disability and medical care. Through the use of teletype equipment the individual records could be made instantly available to any local office throughout the country so that claims could be processed without delay.

Employers would have to make only the four quarterly wage reports they already make under the Federal old-age and survivors insurance system. This would be in sharp contrast with the 209 reports an employer is now required to make under the old-age and survivors insurance system and the 51 different unemployment insurance laws if he hap-

pens to be operating in all of these jurisdictions.

A single string of offices could be used for all phases of such a system of contributory social insurance. There should also be established representative advisory committees and, in the case of unemployment compensation, local tripartite appeals boards to make certain that all of the individual and local circumstances were taken into account in making the decisions.

The fact that is possible to decentralize claims determination is evidenced by the experience developed under the Federal old-age and survivors insurance system. Under that system 97% of all claims are determined in the local office. The decentralized claims determination which has taken place under the Federal old-age and survivors insurance system is in contrast with the centralized claims determination that exists under most State unemployment compensation laws. I believe that more realistic decisions would be made in the case of unemployment insurance if the decisions were made locally, subject to appeal to a local representative tripartite board which would be familiar with local labor market conditions.

If a comprehensive contributory social insurance system is adopted covering all of the hazards that I have mentioned of unemployment, temporary disability, permanent disability, old age, and death, it of course becomes increasingly desirable and necessary that the coverage of such a system be extended as widely as possible, since all of the population of this country is subject in varying degrees to these hazards. From an administrative standpoint, there is no longer any reason why any groups should be excluded and from the standpoint of providing protection there is every reason why they should be included. In the case of workers for small employers it is administratively feasible to extend coverage through the use of a stamp book system. Under such a system the employee would be furnished with a stamp book in which stamps would be placed by his employer evidencing contributions made by the employer and the employee. In rural areas the employer could purchase these stamps from the mail carrier and in urban areas they could be purchased at post offices.

An 8% Payroll Deduction

It would of course not be feasible to insure self-employed persons against unemployment or temporary disability because there would be no employer-employee relationship or specific wage loss to serve as a test of entitlement to benefits. However, it would be perfectly feasible to insure self-employed persons against the other economic hazards mentioned.

During the first few years it is probable that the current costs of all of the benefits suggested, both the present benefits and the new benefits, would be more than covered by a total combined rate of contribution on payrolls of 8%, depending on the exact benefits provided. This would include both employers' and employees' contributions. The total combined normal rate at the present time is 5%. However, even under the present Social Security Act this combined rate automatically becomes 9% by Jan. 1, 1949.

Universal System Best

I believe that a unified comprehensive system of social insurance offers the greatest assurance that there will be no gaps or overlaps or anomalies in the protection that is afforded against the various risks covered. At present it is of course possible for a person to have worked an insufficient length of time to qualify for retirement benefits under the Federal old-age and survivors insurance system or under any other private or public retirement system. On the other hand, it is possible for the dependents of a worker who is killed to draw benefits under four different kinds of Federal and State laws, namely, old-age and survivors insurance; United States Civil Service Retirement System, State workmen's compensation, and veterans' legislation. Until recently, a surviving spouse could also have drawn benefits under the Railroad Retirement Act as well. However, now survivors benefits are calculated on the combined wage record developed under the Railroad Retirement Act and the Federal old-age and survivors insurance system.

Some question might be raised that a national contributory social insurance system would be too inflexible because of the necessity for uniform provisions applicable throughout the entire country. However, if benefits are related to an individual's past earnings, as I believe they should be, they would of course automatically reflect differences in wage rates in the various parts of the country. In fact, there would be much more consistency than exists now under the 51 different State unemployment insurance laws. At present, a worker with exactly the same earnings record can draw unemployment benefits in a year ranging all the way from $210.00 to $546.00 at a weekly rate varying all the way from $15.00 to $25.00. Likewise, employers with exactly the same experience with unemployment have to pay contribution rates ranging from one-tenth of 1% to the full normal rate of 2.7%.

Then, of course, it should also be borne in mind that under a national system a worker's total earnings history is taken into account even though he may have worked in many States. Thus, there would be no possibility of a worker failing to draw benefits because of his wage record having been split between more than one State or drawing duplicate benefits because of qualifying under the laws of more than one State. Neither would there be the long delay that now exists in the payment of benefits to workers who move from one State to another.

Need of Co-ordination With State Benefits

But, regardless of whether we have a straight national contributory social insurance system or a combination of a national social insurance system covering what might be termed the long-term risks, such as permanent disability, old age, and death, and State systems covering the so-called short-term risks of temporary disability and unemployment insurance, there is great need for coordination between the various systems. As you may know, several of the State unemployment insurance agencies have experimented with using the Federal old-age and survivors insurance records with considerable success. However, greater uniformity in the coverage provisions of the Federal and State laws is necessary before any extended use could be made of the Federal old-age and survivors insurance records by the various State unemployment insurance agencies. Greater uniformity in the coverage provisions is of course desirable even though the Federal old-age and survivors insurance records are not used by the State unemployment insurance agencies, since it might enable employers to use carbon copies of one wage report for both Federal and State purposes.

A Two-Pronged Attack

As I stated at the outset of my talk, our attack on the prevention of destitution must be a two-pronged attack, including both social insurance and public assistance. I have laid more emphasis upon the development of a comprehensive contributory social insurance system, because I believe that a contributory social insurance system is more in keeping with our system of free enterprise than a system of public assistance. I think we must recognize that even with a comprehensive contributory social insurance system it would be too much to expect that all human destitution would be eliminated. No system of social insurance can insure against hazards that have already occurred or can provide adequate protection under all conceivable circumstances. Therefore, it is important that we also greatly strengthen our present system of public assistance, which should continue to be operated by the States rather than the Federal Government. However, time will not permit me to discuss how I believe our present system of public assistance can be and should be strengthened.

The reason I believe that a contributory social insurance system fits in better with a system of free enterprise is simply this: Under social insurance there is always some recognition given to the previous wage history and length of time a beneficiary has been insured. Therefore, differentials in past income which an individual has been able to develop is given some recognition. In contrast, under any system of public assistance, since the assistance is based on the individual need, it remains true that the more a person saves the less he gets by way of assistance. Moreover, in order to get assistance, the applicant must submit to a needs or a means test, which, however intelligently and sympathetically administered, creates an invidious distinction destructive of individual morale. The great virtue of a contributory social insurance system is that it prevents human destitution before it occurs rather than undertakes simply to relieve it after it has occurred. Therefore, it must always be a first line of defense and public assistance a secondary, line of defense against human want.

Health Insurance

Perhaps before closing I should say something about health insurance, since it has received considerable attention lately. Of course a sharp distinction must first be made between insurance to cover a portion of the wage loss sustained and insurance to cover the cost of medical care. The American Medical Association, which, as you know, is opposed to a system of contributory social insurance to cover the cost of medical care, is not opposed to cash indemnity to pay a portion of the wage loss due to sickness.

When we turn to the question of protection against the cost of medical care, again it is essential for clear thinking to make a distinction between socialized medicine and health insurance. Socialized medicine implies medical services provided by physicians employed by the government; health insurance, on the other hand, implies a system whereby medical service is provided by private, competitive practitioners who are reimbursed from a special insurance fund for the services they render. In other words, socialized medicine is not only a system for spreading the cost of medical care but also a system of medical practice; in contrast, health insurance is a system for spreading the cost of medical care and does not replace the competitive private practice of medicine. Only the Union of Soviet Socialist Republics has a national system of state medicine; more than thirty countries have national systems of compulsory health insurance.

Every State in the United States but one already is operating a system of compulsory health insurance applicable to accidents and diseases arising out of occupation — that is, workmen's compensation. I am sure that no one would think of abandoning workmen's compensation insurance. It seems generally agreed that, in spite of recognized deficiencies, workmen's compensation has resulted in providing more adequate medical care for the victims of work accidents and diseases and more adequate compensation for the physicians and hospitals called upon to treat them. In the broader sense, health insurance is merely more inclusive than workmen's compensation; it covers nonoccupational accidents and diseases.

Decentralized Administration

The administration of health insurance should of course be decentralized so that all necessary arrangements with doctors and hospitals and public health authorities could be subject to adjustment on a local basis. The local hospitals and doctors should be permitted to choose the method of remuneration which they desire.

Besides free choice of method of remuneration, the system should provide free choice of physicians and free choice of patients. The professional organizations themselves should be relied upon to assist in the maintenance and promotion of desirable professional standards.

Voluntary organizations that provide health services would have an important role under a system of health insurance. So would voluntary cooperative organizations that are concerned with paying doctors, hospitals, or others for health services but do not provide these services directly.

Though hazards are involved in any governmental attempt to meet the problem of spreading the costs of medical care, I believe we must recognize that there is a large and growing demand by the people of this country that the government act. Every unbiased poll that has been taken in the last ten years shows that this is so.

The British Medical Association, as a result of over thirty years of experience with health insurance, is wholeheartedly in favor of the principle of compulsory health insurance. Indeed, it has assumed leadership in demanding that the present health insurance system be made more comprehensive in terms of persons covered and services provided. Likewise, the Canadian Medical Association has gone on record as favoring the principle of compulsory health insurance.

Advocates Comprehensive Contributory System, Supplemented by Public Aid

So much for health insurance. In conclusion, I should like to emphasize that the twin program I have suggested—namely, a comprehensive contributory social insurance system supplemented by a comprehensive public assistance system—would provide only a minimum basic security for the people of this country. It would provide a safety net protecting the people of this country against major economic hazards, not a feather bed releasing them from the necessity of helping themselves. It would be an effective system because the benefits would be related to proven wage loss or proven need. It would be a system which would provide a maximum amount of security at a minimum cost.

In fact, in a very real sense the costs of insecurity are now being borne by the individual citizens of this country. A sound social security program makes these costs more bearable by distributing them more systematically and equitably.

Because only a minimum basic security would be provided, there would be every inducement to the individual to provide still better security for himself and his family through individual savings and private insurance. This has already happened in the case of the Federal old-age and survivors insurance system. The amount of group annuity business written since the Social Security Act was passed is many times the amount written in all the previous years. As you may have noticed from advertisements and the radio, there are several large life insurance companies that are basing their sales promotions largely on the feasibility and desirability of additional insurance to supplement the basic insurance protection provided under the government system. I am confident that insurance companies generally believe that this government system educates and induces the public to obtain additional protection through private insurance.

An Organized Thrift Plan

Let us also not forget that under a contributory social insurance system, the financial base is automatically provided. The workers of this country and their employers pay for the benefits that are received. It is not a plan for giving everybody something for nothing but a plan for organized thrift. As former Prime Minister Churchill said, the essence of social insurance is "bringing the magic of averages to the rescue of the millions."

I do not pretend that the program I have outlined will usher in Utopia. Even so, there are some who believe that providing a minimum basic security is unnecessary and unwise. They believe that destitution, by and large, is due to personal inadequacy and derelictions rather than the result of impersonal social forces. Therefore, they are convinced that any government action aggravates rather than relieves the problem.

I think we must agree that social security does substitute hopes for fears. It really comes down to a question of just how much faith we have in the common man and in democratic government. Putting it bluntly, we must decide whether the common man must be driven to exert himself by the fear of starvation or whether it is hope of reward that leads to high endeavor.

If the common man needs to be driven by fear of starvation there can be very little hope for the success of democratic government. In a democracy the will of the common man is the law of the land, and the common man will not vote for starvation. Indeed, to my mind, reliance on fear of starvation as a motive force is worthy of a slave nation, not a free nation. The greatest war in history has just been fought to make certain that free people shall inherit this earth. We can be absolutely certain that as the forces of democracy advance the postwar world is bound to be one of greater and greater social security and less and less individual insecurity.

International Organizations Fostering Foreign Trade

(Continued from page 2077)
have taken the place of open and fair trading, the illicit dealings in currency, the goods in the stores which are for export but which cannot be moved because of artificial exchange rates, export and import controls and other trade barriers, the gummed up transport system with its slow-passenger trains, limping freight service and run-down personnel.

Everywhere there is need for repairing, rebuilding and reconstruction. Everywhere there is demand for coal and cotton, iron and steel, lumber, chemicals, tools, machines, the thousand and one things by which our modern economic civilization is carried on. Everywhere there are calls for more hands to do the work and for more skill and technical knowledge to give it meaning and direction. And what is even more important, everywhere there is a desire deep in the hearts of the people to start all over again, to pick up the broken threads, and to make a decent and prosperous life in a new world of promise and peace.

Everywhere in Europe there is also the feeling that no one nation can do the job alone. At no time in recent history has there been such recognition of the need for working out economic problems by international cooperation. Only all countries working together, it is realized, can find the resources and use them in such a way as to meet effectively the reconstruction needs of the devastated and war-shaken countries of Europe. That applies also to the war-affected areas of Asia and Africa.

War's Economic Effects

One comes back to America with a sense of relief and with a feeling of gratitude for having been spared the horrors inflicted by the war on Europe. But just the same one cannot close one's eyes to the difficulties which the war has left in its wake also for us. While we have been spared destruction by bombs, rockets and guns, we have suffered deterioration in land, forest and mineral resources as a result of the heavy needs of war. We have fallen behind in farm building, housing and many of the conveniences of life. And our very advance in technical efficiency and industrial plant has created problems in readjustment in management-labor relations, investment, foreign trade and public finance which are still ahead of us awaiting solution. While our production records are the envy of all nations, we ourselves are not entirely at ease as to how long we can maintain them without a serious break that will spell depression and unemployment.

Thus, we in the United States are also realizing more and more that the war has wrought a change in our relations with the rest of the world. We now need more than ever before many of the minerals and other raw materials which other countries produce. Above all, we need to work with other countries in putting to use our vastly expanded industrial facilities so as to maintain steady work and incomes for our own people. We need a peaceful world in which we can apply our resources and skills for the benefit of all, and we cannot keep the peace of the world by our own efforts alone. And so, in trying to solve our own problems, we too must seek the goodwill and cooperation of other nations.

International Cooperation Needed

It is customary to express this need of international economic cooperation in terms of foreign trade. There are, of course, good reasons for that. Economic cooperation among nations takes place largely through the exchange of goods and services, but it is important to keep in mind that trade between nations can grow only if there is cooperation in many other ways. A growing and mutually profitable trade depends on arrangements for stable and equitable rates of exchange. A weaker nation can buy and sell more abroad if it can develop its own resources and technical skills and raise its living standards, and it may need the help of stronger nations to do so. World trade can be helped if the producers and workers of all countries feel that it is carried on by equitable methods with due regard for the welfare of all countries and for fair working standards in the making of the goods. The exchange of goods is fostered by foreign travel and by closer cultural relations which enable the citizens of one country to know better and to want more of the goods of other countries. And above all, world trade can prosper and expand only in a world in which there is peace and as much freedom of movement as possible.

The foreign economic policy of the United States today is guided by this larger concept of international cooperation. In January and February of this year it was my privilege to be in London at the First Assembly of the United Nations as an adviser from the Department of Commerce attached to the United States Delegation to the Assembly. Since then I have also had the opportunity to attend sessions of the Economic and Social Council as a member from the Commerce Department to the advisory staff of John G. Winant. In this way, I have watched the steps by which the United States has tried, in concert with the other nations, to hammer out the structure for world-wide international cooperation in the economic and social field. It is no easy task and the result may seem slow to some of you, but if you consider that it is only a little over a year since the world was in the grip of war, the progress made in building the edifice of international cooperation is considerable.

Value of International Organizations

If you will look at the chart, you will see that the organizations for world cooperation already set up and those projected are intended to supplement one another in the general task of promoting world peace on the basis of greater social-economic welfare for all. At the top of the structure are the Security Council and the General Assembly of the United Nations—the embryo of that Parliament of man which has been the hope and ideal of the greatest thinkers and prophets of all times. The main organ of the General Assembly is the Economic and Social Council with its several commissions and sub-commissions. And working in coordination with and under the general guidance of the Economic and Social Council are the several specialized agencies which are concerned with definitely delimited areas and with specific tasks of international readjustments and development.

The United States has much to gain from the work of each one of these organizations. The Food and Agriculture Organization (FAO), for instance, has set itself the task of helping through research and otherwise to increase agricultural production and to raise standards of nutrition around the world. Large areas of the world are still carrying on agricultural work with primitive tools and live on a diet of semi-starvation. To lift these peoples to higher levels would enhance their own welfare as well as their contribution to the welfare of the rest of the world. The FAO is also considering plans for bringing greater stability in the marketing of "surplus" agricultural commodities—a matter in which the American farmer has been deeply concerned for years and which can be solved only by international cooperation.

The International Labor Organization (ILO) which was founded in 1919 and which maintained its activities during the Second World War has had the cooperation of the United States since 1934. American employers, workers and government officials take an active part in the conferences and committees of the ILO in order to rationalize competitive conditions in world trade so as to protect the better living and working conditions in advanced countries and to raise standards in less developed countries. You are familiar with the work of the ILO in your own industry, with the progress it has helped to make in the life of the seamen, with its efforts to improve competitive conditions in world shipping.

The Bretton Woods organizations — the International Monetary Fund and the International Bank for Reconstruction and Development—are largely the result of an interchange of American and British thinking. The first of these institutions, the Fund, is designed to eliminate the currency and exchange handicaps which hampered foreign trade during the 30s and the war years. The Fund has now begun operations and its first task is to establish new rates of exchange among all member countries which will bring them into closer relation with economic realities. As and when conditions require, the Fund will use its powers to prevent temporary shortages of dollars and of other scarce currencies from hindering the purchase of goods by foreign nations in the United States and elsewhere. The members of the Fund also undertake to promote exchange stability, to refrain from arbitrary changes in rates of exchange, and not to use exchange and currency restrictions as competitive weapons in world markets.

The second of the Bretton Woods institutions, the International Bank, is to help the expansion of world trade by making loans for the rehabilitation of wartorn areas and for the development of undeveloped economic areas. Large parts of the world are still virgin territory in so far as the use of their natural resources is concerned. In these same areas and elsewhere millions of people are eager to learn how to do things the modern way and have the capacity for higher technical development. Their progress in this respect will mean more goods for themselves and more interchange of goods for the benefit of the world as a whole.

The Bank can make loans under its present charter up to the full amount of its authorized capital which stands today at $7,670,000,000. Those loans may be made directly or the Bank may guarantee or participate in loans which are locally floated. If the loans of the Bank are wisely made, they should result in a very substantial enlargement of the producing capacities of the world and consequently in the total volume of trade which must be moved.

International Loans in U. S.

As things now stand, it is quite likely that the Bank will float a substantial proportion of its loans in the United States. These will then become dollar credits, granted by the International Bank, available for purchases by member foreign nations in the United States. Further, these loans will mop up purchasing power, now idle in private bank deposits, and put these funds to work in our export program.

The United States has a deep interest in the cultural, scientific, educational and welfare organizations of the United Nations not so much because they may contribute indirectly to world trade but because they help strengthen the foundations of international cooperation in general. The UNESCO will advance the mutual knowledge and understanding of peoples through communications, popularize education, develop educational activities, and make for cooperation in intellectual activities. The practical results of such cooperation are likely to be a great increase in foreign travel, the development of tourist trade, the growth of international trade in books and publications and in school and laboratory materials and equipment, and a growing interchange of technical ideas and of research. The World Health Organization should promote the interchange of doctors, nurses, pharmacists, as well as world trade in pharmaceuticals, chemicals, hospital and surgical equipment of all kinds.

Proposed International Trade Organization

Perhaps more than in other matters, the United States has taken the lead in promoting the proposed International Trade Organization. As you know, we emerged from the war with the trade of the world throughly hamstrung by a maze of restrictive regulations. While some of these have been removed or relaxed, many of them still remain. Furthermore, they are overlaid by new restrictions due to the desire of each country to protect its resources and manpower for the urgent needs of reconstruction. These controls throughout the world will not disappear automatically—they must be removed or at least weakened by the common action of all nations.

The proposed International Trade Organization constitutes our principal line of attack upon restrictive trade practices. It has been designed to accomplish the following major reforms in world trade:

1. The reduction of tariffs, trade barriers and the elimination of the discriminatory treatment of nations in international trade.
2. The elimination of all measures destructive of world trade by providing opportunities for the reciprocal expansion of world trade.
3. Assistance in the industrial development of member countries.
4. The expansion of the production, exchange and consumption of goods.
5. The maintenance in all countries of high levels of employment and real income.
6. The solution of all problems in the field of international commercial policies through collaboration among members.

These ends are to be accomplished through the creation of a centralized agency which will watch over the application of commercial and business practices in accordance with the principles of the Charter to which the members will have subscribed. While the Bretton Woods organizations have already been established and are now starting operations in Washington, the International Trade Organization is only in the project stage. The delegates of 19 nations, chiefly, members of the Economic and Social Council, are meeting now in London to discuss the specific proposals made by the United States for the organization of ITO and the Charter of the ITO which the United States has prepared. After this meeting is over, there will be another meeting in the spring of 1947 to discuss mutual tariff concessions and then a conference in the summer of 1947 to adopt a final form of organization. It is the hope of the United States that the final agreement reached will go far towards removing barriers to trade and towards increasing the commerce and shipping of the world.

Conclusion

Such then is the wide scope and varied character of the program of international economic cooperation on which the United States is now embarked. In practically all the organizations of the United Nations through which such cooperation is to be carried out, the United States plays a leading and decisive part. The original drafts of the agreements and charters themselves have been drawn up by American experts in the various Federal departments and embody the basic policies of this government. Incidentally, in the work of drafting these documents the point of view of American business, trade and shipping interests has been represented by the participation of the staff of the Commerce Department. The representatives of the United States Government are active in all the specialized agencies of the United Nations and in the Economic and Social Council in promoting its policies and in seeking the reconciliation of divergent views through the democratic process of give and take.

It would be futile to deny the difficulties in the path of international economic cooperation. We witness these difficulties almost daily in the meetings of the Economic and Social Council and of the specialized organizations connected with the United Nations. Cooperation is obstructed by the fear of insecurity, by the lingering passions of wartime experience, by nationalistic habits of mind, by conflicting short-run aims and purposes, by misunderstandings as to each other's economic systems and social ideals and by "power-politics" considerations which intrude themselves into the sphere of social-economic action.

But we cannot let these difficulties discourage us, nor should we over-emphasize them. All cooperation implies differences of view and of interest which have to be reconciled. Argument and some friction are part of the job of hammering out a common policy. It is part of the job of the United Nations and the specialized international organizations connected with the United Nations to throw light on underlying conflicts even if that is accompanied some times by a glaring and noisy display of verbal fireworks. As time goes on, the positive results achieved — that of clearing the minds and hearts of the people and of pointing the way to constructive cooperative action—will assert themselves to the benefit of all.

Meanwhile, we must also realize that the success of the United Nations and of the specialized international organizations can be no greater than the degree of popular support which they are able to obtain. They deserve our full support and our patience. Especially groups like those represented at this conference which are concerned with such basic problems of international cooperation as trade and shipping should make those organizations the subject of careful and continuous study and give them all help possible by way of sympathetic understanding and constructive suggestions.

Current Trends in International Transactions

(Continued from page 2078)
problem into bold relief in this period of transition.

One of the outstanding phenomena of the recent war was this country's extraordinary capacity to produce goods and services. By the same token our capacity to equip and maintain large armies in many oversea theatres and to supply, through lend-lease and other means, billions of dollars worth of supplies and services was unprecedented and exceeded our best hopes. By the second quarter of 1945 when we reached our peak of annual rate of national output of approximately $206 billion we had already passed beyond the wartime peake of lend-lease and other shipments but they were still running at an annual rate of more than $14 billions in the transfer of goods from the United States to foreign countries.

The global character of modern war means global effort. Our international transactions during the war were characterized not only by normally high transfers of goods abroad—exceeding a value of $16.8 billions in 1944—but these transactions were directed largely by governmental agencies as distinguished from direction and operation by private traders as in peacetime. Strategy and military need governed the nature and course of international transfers. Goods and services had to be made available in all parts of the world according to an over-all plan. The building and operation of ships were integral parts of the program.

Wartime Transactions Large

The wartime accounts of the United States reflect the exceptionally large volume of goods transferred. Contrary to the structure and inter-relationship of the international transactions in time of peace the wartime account contains high value for goods and services transferred for which no equivalent for goods and services received from abroad is shown in the balance of payments statement. The major part of these "unilateral" transactions consisted of lend-lease merchandise which, during the period of straight lend-lease transfers from March 1941 to September 1945, amounted to approximately $40 billions. It is estimated that the overall cost of the lend-lease program, including services of various kinds, will reach more than $50 billions by the time all final settlements are concluded. In accordance with the mutual-aid arrangements made between the United States and the foreign "lend-lease" countries our international accounts carried a counterpart item representing the value of so-called reciprocal lend-lease received by this country.

With the cessation of straight lend-lease the volume of "gift" or unilateral transactions began to recede. The level of these transactions has been a general indicator of the degree to which the government participated in our international transactions. During the first half of 1945 government participation involved 74% of transactions in goods and services whereas by the second quarter of 1946 this interest in international transfers had fallen to about 35% of the total.

Other important changes in the United States balance of international payments during the transitional period relate to the capital side of the account. Since the goods and services transferred to foreign countries are seldom of the same value as those purchased from abroad the settlements arising out of day-to-day transactions may involve the use of credits and loans. Even in the rare case of an annual balance between outgoing and incoming trade and service transactions short-term and long-term capital transactions are bound to enter into the international balance sheet. The inward and outward movements are never so synchronized or so conducted as to eliminate the use of capital transactions. Moreover, the freedom of national money markets and security markets in a free enterprise economy makes the flow of short-term and long-term capital a natural element in the conduct of international business.

International Capital Transactions

International capital transactions are certain to play a peculiarly important part for some time to come. Our economy is geared to a high level of production and to aid in meeting the requirements of shattered economies in Europe, Asia, and elsewhere. During the period of reconstruction our exports of goods and services will continue to exceed very substantially our purchases of goods and services. Even though "straight" lend-lease practically ceased with the conclusion of hostilities in the Far East the outward flow of goods and services is continuing on a high level. With the sharp decline in lend-lease and other unilateral transactions other items will assume an increasing importance. During the war many foreign countries accumulated substantial dollar balances, which together with gold holdings will provide substantial means of payment. Yet despite the size of these assets they can provide only a fraction of total requirements. At a time when most nations of the world have assumed definite obligations by virtue of their membership in international organizations, which are designed to promote and maintain currency stability and economic expansion, no constructive purpose would be served if this country were to drain the outside world of its gold and financial resources.

Net liquidation of foreign gold and dollar holdings in the six months ended June 30, 1946, amounted to $800 millions while government loans and credits, which entered the international accounts in connection with lend-lease settlement, foreign surplus property sales, and Export-Import Bank disbursements amounted to $1.5 billions.

Loans and Credits

Loans and credits are now becoming an increasingly important factor in the balancing of our international accounts. Substantial credits have recently entered the international balance sheet in connection with the various settlements on surplus property held abroad and disposed of there. Small amounts of domestic surplus may also be sold abroad on credit terms. Lines of credit, such as the dollar "loan" of $3.75 billions granted to Britain, extended in the interest of world recovery and world trade expansion, will for some time provide substantial "offsetting" capital items balancing the corresponding value of goods purchased from the proceeds. The lending capacity of the Export-Import Bank has been extended to $3.5 billions. Up to June 30, 1946, loans amounting to $2.7 billions have been authorized with $727 millions actually disbursed.

Because of these shifts long-term capital transactions during the first half of 1946 have resulted in a net outflow of capital for financing foreign requirements which amounted to $1.502 billions as compared with $1.210 billions for the entire year 1945.

Some of these basic changes in this country's balance of international payments began to develop when Japan surrendered in August, 1945. Even though goods and services supplied to foreign countries remained high there was nevertheless a sharp decline from the high wartime total. This decline resulted largely from the very sharp drop in the transfer of goods and services for which no equivalent was received from abroad. Transfers in this category were limited to the small but growing volume of relief shipments through UNRRA and transfers under the Army civilian supplies program.

Imports Related to Domestic Conditions

Generally speaking, United States purchases from foreign countries normally vary in response to business conditions in this country. Since a relatively large part of merchandise imports consists of raw materials and semi-finished products the demand for these goods moves up as business activity expands and tends to decline as business prospects begin to sag. Similarly when business activity is high and national income is on a correspondingly high level there is an increasing tendency for our people to engage in foreign travel. More dollars come into foreign hands and this in turn tends to stimulate exports.

American Shipping

During the interwar period net payments by this country on international shipping account also contributed to the foreign supply of dollars. Except for the first three years immediately following World War I, when the world was abnormally dependent on American shipping, payments to foreigners exceeded receipts throughout the entire interwar period. The data relating to the shipping account for this period reflect the progressive deterioration of the American merchant marine in the wake of the shipping boom resulting from the first World War. American ships became engaged relatively more and more in the coastwise trade with the result that by 1929 only 42% of United States oceangoing tonnage was engaged in foreign commerce as compared with 61% in 1920. Despite attempts to subsidize and otherwise assist American shipping under the Merchant Marine Acts of 1928 and 1936 the proportion of United States trade carried in domestic vessels continued to decrease and the ratio of receipts to payments continued to decline.

Since the nature and importance of shipping receipts and payments in the balance of international payments are influenced by national defense policy as well as by the volume of foreign trade the future of this item cannot be gauged by past experience. Moreover, the ratio between receipts and payments is exceedingly uncertain since changes in freight rates and competitive factors may considerably influence this relationship.

If our level of domestic production remains high and exports continue at approximately the present level of $10 to $11 billions, imports may rise to possibly $7 or $8 billions. Under such circumstances United States shipping would be able to handle the present volume of cargo even if foreign shipping were to increase its proportion of our foreign trade carried.

The forces determining the course of United States exports have usually been more varied and complex than those responsible for the behavior of imports. In general, changes in the dollar volume of exports have been closely related to variations in basic economic conditions in the principal foreign markets. But here again there may develop shifts in emphasis as happened even prior to World War II. After exports to Europe had reached a peak in 1925 they dropped to lower levels whereas shipments to most other countries continued to expand vigorously. During the world depression of the early thirties, United States exports declined much more rapidly than did the total imports of foreign countries. The wide gap that developed between them persisted throughout the upswing after 1932 except that in the case of Asia the United States gained a slightly larger rather than smaller part of the trade.

Many of the current trends in our international transactions are similar to those which we experienced after World War I. Then, as now, the requirements for relief and rehabilitation were reflected in a large volume of exports and a large margin over imports. There is some reason, however, to expect that the constructive steps taken towards effective international collaboration will operate in favor of a higher degree of economic stability throughout the world than we experienced after World War I. During the interwar period our domestic economy was characterized by wide fluctuations in the level of economic activity. This contributed to economic unsettlement in many of our foreign markets especially because of the close relationship in the level of business activity and imports. The result was sharp variations in our purchases of goods and services abroad. Closely related to these developments was the erratic behavior of capital movements reflecting the sudden shifts of American interest in foreign investments and the fluctuating preferences for American securities and dollar balances.

During the postwar transitional period our exports will assume to an increasing degree the nature of shipments abroad on private account. For the time being, however, civilian supplies furnished by the military in occupied countries and relief shipments made through UNRRA will remain important. The flow of relief goods during the first half of 1946 amounted to approximately $1 billion or about 17% of total merchandise transfers. These transfers will, of course, taper off rapidly toward the end of the year. The present program of relief activities will, after the end of the year, be limited to UNRRA shipments to Pacific destinations. These will continue until the end of the first quarter of 1947 while military civilian supply shipments to occupied areas will continue for at least three months longer. Post-UNRRA relief shipments on a much smaller scale to certain countries are also being considered. On the import side government purchases will also remain for some time a factor in our purchases of goods abroad.

There are certain other governmental operations, such as the cotton rehabilitation program for Germany and Japan, which will influence the total volume of exports and imports. Credit lend-lease shipments are rapidly coming to an end, and foreign surplus property disposal programs are nearing completion. The government's foreign credits program will make possible the financing of a substantial part of future shipments. These facilities will be indirectly augmented by our contribution of $2.75 billions to the International Monetary Fund and by our share of $635 millions in cash and $2.54 billions in guarantees to the International Bank for Reconstruction and Development.

In contrast with the currency disorders and economic instability which provided an uncertain basis for foreign trade financing after World War I the government's program of participation in the revival of international economic revival during the period immediately ahead should permit the development of international trade and investment on private account on a sound and self-sustaining basis.

Officials of Bank And World Fund

(Twenty-third of a Series)

A. P. GRAFFTEY-SMITH
Alternate Executive Director of the Fund for the U. K.

With the exception of his war service, Anthony-Paul Grafftey-Smith has been with the Bank of England since 1923. Mr. Grafftey-Smith was born in Somerset and studied in France and Spain before joining the Bank at the age of 20. Since 1928 Mr. Grafftey-Smith has been in the Overseas and Foreign Department of the Bank of England, and has therefore travelled widely on behalf of the Bank.


A. P. Grafftey-Smith

Throughout World War II Grafftey-Smith served in the armed forces. The outbreak of the conflict in 1939 found him second in command of a yeomanry tank regiment on the Continent. This regiment he later commanded in Lybia in 1941-42.

In 1943 Grafftey-Smith was made chief financial officer of occupied enemy territories in East Africa and in May the same year he became Chief Financial Officer of AMGOT and moved with the 15th Army Group in the invasion of Sicily and Southern Italy.

With the amalgamation of AMGOT and the Allied Commission for Italy, Grafftey-Smith became Joint Chief Financial Officer along with Col. E. H. Foley, Jr., who had been general counsel of the U. S. Treasury Department and who is now Assistant Secretary of the Treasury.

Grafftey-Smith was promoted to Brigadier in January, 1945. He holds the decoration of Commander of the Order of the British Empire and has been awarded the American Legion of Merit.

Hald Appointed Head Of Internal Auditors

Arthur E. Hald, Auditor of Consolidated Edison Co. of N. Y., was elected President of The Institute of Internal Auditors for 1946-47 at their annual meeting held Oct. 7 at the Hotel Roosevelt, N. Y., Victor Z. Brink, Vice President, Continental-United Industries Co., Inc., was elected First Vice-President; Harris R. Symes, The Detroit Edison Company, Second Vice-President; and David B. Mathias, Bankers Trust Company, treasurer. J. K. Laurentz, of The Brooklyn Union Gas Co., has been appointed Secretary. The announcement issued by the Institute added:

The annual meeting was a part of The Institute of Internal Auditors' Fifth Annual Conference which began with a reception at the Roosevelt, on Oct. 6 and lasted through Oct. 8. Sessions of the Conference were attended by executives in industrial, banking, insurance, public utility, and accounting fields. Of special interest to them are a series of papers delivered at the Oct. 8 sessions on the organization and operation of an internal auditing department and its coordination with public accountants. Mr. Hald succeeds as President of The Institute, Curtis T. Atkinson, Chief Accounting Consultant of Ebasco Services, Inc.

Needed: Reform of Construction Industry

(Continued from page 2082)

When the breakdown came in 1929, nothing of a practical nature had been done to make it possible to put such an idea into action.

In the spring of 1933, in what was thought to be a bold attempt to produce recovery, an appropriation of $3,300,000,000 was made for public works as part of the National Recovery Act of 1933. By the fall of 1933, it became apparent that public works could not be started merely by appropriating money. Public works require long and detailed planning, legal investigation, site acquisition and, in many cases, enabling legislation by State and local governments.

Public Works Not Antidote to Depression

The idea of using standard public works as a way of supporting purchasing power in time of depression had failed. The record of Federal public works as a means of overcoming a depression was a disappointing one, partly because we had been led to expect too much, and partly because during the years preceding the depression the necessary preparatory work had not been done. Our disappointment should not cause us to reject the use of public works as *one* of the means of supporting the level of private business, but it should make us revise our expectations and improve our planning and scheduling.

We must never forget that the bulk of construction over a period of time arises from private demand, and that the greater the proportion of private demand, the healthier the industry will be. Optional public works should be looked to only as a balancing factor, not as the main source of demand for construction.

The construction industy is greatly involved in public works expenditures, no matter what our policy on public works may be, and the construction industry is a costly and a wasteful industry.

The reasons are not hard to find. Every phase of the industry is subject to the feasts and famines of seasonal and cyclical demand. The circumstances which cause one family to decide to build a house, cause thousands to decide the same way at the same time. The circumstances which result in a profitable outlook for the building of a factory by one company will simultaneously affect thousands of companies. On the other hand, when families and businesses cannot or do not wish to build, broad, general, causative factors are at work which create depression for the construction industry.

A Seasonal Industry

The private construction industry has tried to adapt its practices so that the several elements of the industry could survive under these adverse conditions. Architects, building contractors, building supply companies, labor, finance and mortgage companies, all found it necessary—each in its own way—to establish and to hold a price structure high enough so that the days and hours of activity would pay for the time when there was little or nothing to do.

This kind of pricing, though necessary for survival, presents some difficulties. In the first place, it takes the cost of idle time and adds it to the cost of active time so that the active time carried a heavy total expense. In the second place, no such price schedule can be maintained unless outsiders are kept from coming into the industry, and unless insiders understand more or less specifically what the rules of the game are and it is made "convenient" to follow them.

It is not necessary to recite in specific detail the restrictive practices for which the construction industy is notorious. All these practices spring from a common need, to make sure that the scale of prices obtained when there is work to do is sufficient to pay for the idle time too. The high schedule of prices is forced higher still by the uncertainty of how long the periods of idleness will be. A retailer knows that spring and winter come every year, and therefore he can figure his annual costs. In construction, who knows how long a boom may last or when it may come again?

Illegal Restrictive Measures

The restrictive measures in the industry are in many cases ingenious, in some cases illegal, in all cases for the purposes of price maintenance and the control of competition. In spite of extenuating circumstances, it is unwholesome in the national interest to go along indefinitely with an industry which for its own survival has to have a considerable element of the outlaw in it. As long as illegal practices are condoned on the front of restrictive and collusive rules, they will be excused wherever they can be exploited to make or to fortify a power position. Toleration of illegal practices leads to a special kind of cooperation between government, labor and business—the cost of which is paid for by the consumer-citizen, both in high prices and in the corruption of his government.

Today, with our high level of employment and with our acute housing shortage, the construction industry is very much in the public eye. Many programs and many reforms are being put forward and the voices of those who speak are heard against an increasingly audible background of discontent and despair. No longer is it possible to analyze and discuss the obsolete structure and practices of the construction industry in the quiet of critical detachment.

In connection with the housing problem and the all-important construction industry, there has been much confusion and needless controversy because we have not distinguished among several objectives, each one of which is good. As I see it, we must keep before us simultaneously three objectives—A, B and C; A, a long-term objective; B, an intermediate objective; and C, a short-term objective. They must begin at the same time, which is *now* even though there terminal points are long, intermediate and short in time.

The short-term objective is speedily to house the veterans, and to relieve the distressing pressure that people have for some place to live. The intermediate objective is to create reasonable stability in the construction industry through advance planning of public works and conservation projects, and through the skillful timing of optional projects. The long-term objective is to bring into the industry the fruits of technical and managerial knowledge, to raise the industry to its appropriate place in terms of productivity and efficiency, to reduce costs and prices, increase annual earnings of workers, and give a regular and reasonable margin of profit for successful enterprise. When this has been done, the time will have come to rebuild most of our country. Today we cannot afford to use and to enjoy the physical plant and structures which we well know how to design and build.

Let me discuss these three objectives separately.

Short-Term Housing Objective

First, the short-term objective, speedily to house the veterans and to relieve the distressing pressure for housing generally. We cannot discharge our responsibilities to the veterans in housing until we drop the pretense that we are living in a peacetime economy. As far as the unhoused veteran is concerned, the war is still going on. His war is our war, and we can and should organize and act to bring this war to a speedy end.

The measures that need to be taken should be taken, and they can be taken without compromising in any way our desire and expectations for the abandonment of wartime measures as soon as peacetime conditions prevail.

I have just re-read the report of Feb. 7, 1946, to the President from the Housing Expediter. We need to recall the language and the spirit of that report. Let me refresh your memory with a few quotations. "To meet our obligation, we will need the same drive and ingenuity that made possible the miracle of war production." "Our sights must be raised." "Private enterprise must assume the leading role in this task as it did in the task of war production." "On the assumption that the recommended legislation is authorized promptly the program should move into high gear by the end of the first quarter of 1946." "It will take a dynamic program to achieve this goal." "Neither business-as-usual, labor-as-usual, building-as-usual, nor Government-as-usual will suffice."

Today we see some signs of progress in housing but the general picture as of October, 1946, is profoundly disappointing. The arsenal of democracy, so productive of ships and planes and tanks, has not yet shown its ability to deliver the goods as far as housing is concerned. To be sure, there is far more housing, started and completed this year, than the professional forecasters predicted in late 1945. So we have accomplished something, but it is not enough. The record is not good.

Most of the blame for the retarded performance is properly placed on the 79th Congress for obstructive delays in passing legislation that was indispensable and which every thoughtful observer knew had to be passed sooner or later. Meanwhile, the precious spring months slipped by. The excuse that lobbies and special interests were "too powerful" is no excuse. The plain fact is that the 79th Congress was too weak to perform its legislative function efficiently under the ordinary pressure of a representative, democratic government. Let us hope that the provisions of the LaFollette-Monroney Act, the Legislative Reorganization Act of 1946 passed at the close of last session, providing for first steps in Congressional reorganization, will not be by-passed or emasculated by the 80th Congress.

So much for the short-term objective.

Intermediate Objective—Stability

Our intermediate objective is to create reasonable stability in the construction industry, throughout the year and over the years.

The experience of the 1930's with public works taught us many things. First of all, it taught us that the scale on which public works must be pressed in order to do any substantial good in a period of unemployment is vastly greater than we had been led to believe. Indeed, it is so vast that the use of public works as a means of stabilizing the whole economy through the phases of the business cycle must be abandoned. The most we should expect—and this is no small gain—is that we may be able with public works and conservation to stabilize the construction industry itself, so that it would have a more even level of activity throughout the year and over the years.

In addition to magnitude and administrative difficulties, there is another reason for abandoning the idea of using public works as a general cure-all for the business cycle. This other reason is the human undesirability of bringing hundreds of thousands of men into the construction industry and forcing them out again as an offset to the free play of economic forces elsewhere in the business system. These men are not statistical units which can be properly moved from one column of an accounting sheet to another in order to preserve a balanced level of employment. Nor can they be shifted long distances from their homes to places and at times convenient to the business cycle.

Public Works As Stabilizer

What level of employment in the construction industry should we set as full-time normal for a long-time program? The suggestion has been made that we might take as a rough standard the average rebuilding of our physical plant once a generation, say once in 30 years. This suggestion has the appeal of picturing each new generation turning over to the next generation new, modern structures instead of old, outmoded houses, schools and factories.

The precise level around which we should direct our efforts toward reasonable stabilization of the industry is less important in some ways than the acceptance of the policy itself. Decision as to level, whether in terms of dollars or of men employed, is a matter of public policy. It will be decided after considering such questions as how much of our product we wish to put into brick and mortar, what the requirements of the people for physical plant may be, how rapidly we wish to restore the national domain, and the present and prospective efficiency of the industry.

A second lesson which has been learned as a result of the experience of the 1930's is that the public will not tolerate expenditure by the government which it believes to be wasteful. Leaf-raking and boondoggling are condemned by public opinion and even the inefficiency which results from the employment of the incompetent unemployed, or from the failure to use known labor-saving equipment is frowned upon. The public rejects the sophisticated rationalization that some purchasing power is better than none at all. The argument that public boondoggling is neither better nor worse than private boondoggling is to no avail.

The insight of the people in this respect is sound. It is obvious that wasteful effort at public expense is done at a social cost. The justification that had the labor been unemployed, nothing at all would be produced in unconvincing. Even though the waste be less, it is still undesirable.

There is another reason why the purpose, scope, and scale of public works programing should be under public discussion. It is desirable that the public should appreciate the magnitude of the program, and should approve the policy well in advance of the time when detailed operations will have to begin. Only in this way can true economy of expenditure be attained. The magnitude of any construction stabilization program over a period of 20 years would make possible dramatic changes in our national physical plant. Unless there is some comprehensive concept of what is attainable, there will be great waste through the undertaking of thousands of unrelated, efficient details. This is not a justification for a formalized, unified, and imposed national public works straight-jacket into which the future public construction of the country will be tied. It is simply an observation that the whole is greater than its parts, and that many a poor cake has been made from worthy ingredients.

Wants Congressional Investigation

As you know, it is my opinion that a program for stabilizing the construction industry through the use of public works should be accompanied by a Congressional investigation of the industry with recommendations that would result in its reorganization. Such an investigation should be of the same dignity and competence as that of the National Monetary Commission following which the Federal Reserve System was established. If it should be found that the industry requires certain immunities under the Sherman Act and State anti-trust laws, it should be subjected to corresponding regulation. If some of the restrictive practices of the industry should be continued, even under high stabilized production, these practices should be sanctioned by law and supervised by an appropriate regulatory body.

The construction industry stabilized by public works expenditures and regulated by a government agency would be a different industry from what it is today. It would still be competitive, just as the radio or the banks or the airlines are competitive; it is possible that the industry would be even more competitive than it is today. The dominant factors in the industry would turn to innovations and economies as their way of bidding for a larger section of the construction pie, and since under these circumstances a larger pie is assured, who will complain if the quality is improved?

An industry that is looked to for at least 8% of the national product is certainly a matter of national concern, particularly when in the nature of things the industry is not able to stabilize itself without resorting to inefficient, restrictive practices which increase costs, postpone innovations, and introduce elements of lawlessness into the industry. The industry is indispensable as a source of essential public works, of housing and transportation, and as an outlet for the investment of the people's savings; it will be the recipient of billions of dollars of planned public expenditures over the years. It is certainly discussable that the industry should have the opportunity under the law to reorganize for the most efficient service to the community as a private, competitive construction industry.

It may well be that the 1940's will be the decade of the construction industry, the period when it grew out of unregulated anarchy into an orderly pattern of effective competition. Just as the railroads in the 1880's, the banks in the 1900's, and the Security Exchanges in the 1930's were reorganized and regulated in the public interest, so the pattern of the construction industry may be redrawn in the years immediately ahead—a pattern that will give stability and order to the industry, efficiency and lowered-cost construction to the public, and sound public works programing to the Federal Government.

Improvement in Construction Technique

Finally, our long-term objective is to bring into the construction industry the fruits of technical and managerial knowledge, to raise the industry to its appropriate place in terms of productivity and efficiency. We cannot expect even a distant approach to this long-term objective until we have made good progress on our intermediate objective, the achievement of reasonable stability.

Benefits of Stabilization

Stabilization of the construction industry can be confidently expected to yield important benefits. First of all, stability of employment should eliminate the uncertainties and fears which make the industry irresponsible, always fighting for its life. Second, construction costs should fall sharply and the earnings of workers and the profits of contractors should increase. Third the total public construction program could be well planned. Certainly a sta-

bilized industry would produce a vastly greater quantity of construction output and, over a period of time, would change in a fundamental way the structural, American environment. Obsolete buildings could not stand before the march of an efficient construction industry.

In closing, let us see the construction industry in broad perspective. The industry is intimately associated with the everyday life of every one of us. It gives us our homes, our factories, and our places of business. It provides our streets and our highways; our harbors, our waterways, our bridges, and our tunnels. It protects the national domain against irreparable loss. Reasonable stability in the industry will benefit all elements of the industry, and will give to the people all these good products at lower costs as well. Reasonable stability of the industry at high levels of activity would be a bulwark of national prosperity and a great tool of fiscal policy.

But the setting is really broader still. Prosperity in the United States is the first requirement for a prosperous and peaceful world. Fortunately, in serving well our own interests, we serve at the same time the interests of all peoples who look to us both as a market and as a source of goods and services.

We must succeed at home if we are to succeed abroad. Our great contribution to world peace and freedom can only be made if we are able to use our unparalleled advantages to establish here, at home, a high standard of prosperity and democracy.

National Transportation Policy

(Continued from page 2085)

serted to a degree that ignores public responsibility and welfare of country.

No major economic issue confronting the people of the United States today can be intelligently considered except in the light of this background.

The present-day transportation problem has been brought about by the play of all of these forces, with a resultant disregard of the broad public interest and a lack of public understanding, or willingness to face this most crucial of all domestic issues.

The Key Industry

Transportation services affect the daily lives of all people, influence the destiny of every enterprise. I speak of national transportation policy in its broadest sense when I emphasize that it is, in fact, the key to efficient distribution. I am convinced that if we do not soon consummate policies that will preserve the common-carrier industry in private ownership, there may be no private industry left for which to provide efficient distribution. A socialistic government will make its own rules!

In 1887, the United States embarked upon regulation of transportation — obviously justified in the public interest. But, for 60 years this fostering care of the state has tended increasingly away from regulation and towards full control. For all practical purposes, government has reached the stage of management. Unless present trends are reversed, the next step will be outright ownership.

The Pattern for Nationalization

Leaders of state socialism are following a definite program in their attempt to discredit and undermine the principle of private enterprise. The groundwork has been laid for a focal attack upon transportation. The strike of the Brotherhood of Railway Trainmen only six months ago, forgotten already by most business leaders, is a glaring example of taking the enterprise principle too much for granted. This strike was a "trial balloon"—a test case. And President Whitney of the union, a staunch advocate of government ownership, was able to throttle the economy of the country in 48 hours.

Government ownership of transport in the United States would open the door for the socialization of our entire economy, including agencies of distribution and marketing.

Freight rates, which enter many times into the distributing mechanism, would be subjected to political dictation.

Ten million voters (employes and their families) would be added to the federal payroll.

Bureaucracy would have unlimited control over the largest single unit of domestic buying power. Private ownership and operation of basic industry, public services, and natural resources would topple like a house of cards.

Government Ownership Through Public Default

In my candid opinion, present policies and principles of regulation will inevitably lead to government ownership of this industry.

Specifically:

1. Transportation is now subjected to conflicting federal statutes and opposing policies of regulation.

   Two examples will suffice:

   a. A most serious complication, and one which may well disrupt the distributive systems of this country, is the attempt to apply regulation to common carriers with one hand and anti-trust controls with the other. Common carriers are now being prosecuted by the Department of Justice. If anti-trust prohibitions prevail over regulatory statutes, long-established competitive relationships between shippers and consumers, producing areas and agencies of transport will be disrupted. Chaos in distribution would be inevitable.

   b. Wages, the largest single item of cost in common-carrier transportation, are controlled by federal procedures that have no relationship whatever to the statutes and authorities which regulate the price of transportation.

   When labor relations were removed from the Transportation Act of 1920 by the passage of the Railway Labor Act of 1926, Congress set a precedent in national policy that has since been extended to all other basic industries during emergency periods.

2. Government, as a policy, now promotes direct competition between its capital, which need earn no return, and private capital, which must earn a return.

   There is now about $40 billions of government capital invested in transportation; six times as much as in 1920.

   Moreover, federal funds are being used to promote various branches of transportation by over 50 federal agencies, unrelated as to policies and practices. To none of these is delegated responsibility for the economic position of the common-carrier industry as a whole.

3. The several forms of transport are either greatly restricted or prohibited from owning or operating all types of transportation facilities — each in its sphere of greatest economic usefulness.

Consequently, there is a vast duplication and waste in capital expenditures, services, and facilities, for which the public pays in its rates or taxes, or which must be absorbed by the private investor in recurrent bankruptcies.

Obviously, the common-carrier industry is over-regulated. The administration of regulation is cumbersome and slow.

For 30 years the majority of our regulated transport agencies have been on the verge of bankruptcy, twice saved by the transitory volume of war traffic. It is time that we learned to think in terms of reorganizing the economics of transportation, thus precluding the necessity for reorganizing its balance sheets.

Fundamental Differences

A common carrier is not the same kind of private enterprise as the ordinary business, large or small. If it goes bankrupt, it cannot just fold up. Its services are the bloodstream of commerce, the bulwark of national defense, and must be continued either by private capital or by government ownership.

Furthermore, the common carrier derives its revenues solely from the transportation of persons and property. Every ton of traffic which it loses means either that the shipper who is wholely dependent upon this form of transportation must make up for the loss of revenue in the level of rates which he must pay, or, private investors must absorb the loss in declining net income.

This is not true of the manufacturer or producer who derives the major part of his gross revenues from the sale of his commodities and performs transportation services for his own account only as an incident to his marketing and distributing requirements.

A Sound Approach

For 10 years the Association which I represent has been at work on this problem. We have devoted a long period to research into the physical financial, and regulatory aspects of the industry. Two years ago we advocated that Congress lose no time in creating the machinery to conduct an impartial and thorough reappraisal of national transportation policy. House Resolution 318, providing for such a survey, was adopted by the House of Representatives in March of this year, and such an investigation is now under way.

The Association offers the following recommendations, which it is prepared to sustain when called upon by Congress to do so:

First: That common carriers be reorganized, by orderly and gradual processes, into competitive transportation systems, each being permitted to use any type of facility that will provide the most efficient services at the lowest cost to meet the respective public needs.

We advocate the principle of competitive "department stores" in transportation, each selling every type of service—thus supporting the security of the overall private investment by earnings derived from all forms of facilities.

Under present national policy the transportation dollar, paid by the public, is divided among hundreds of unrelated enterprises, each trying to sustain itself, separately, in private ownership—with not enough traffic to go around in peacetime.

Second: That every appropriate inducement be offered for facilitating voluntary consolidations of railroads and other forms of transport. Over 70,000 miles, or nearly one-third of the Class I railroad mileage, is now dependent on less than 5% of the total ton-miles. Much of this mileage cannot be abandoned; people are dependent upon it.

Third: That regulated transportation be excluded from anti-trust laws when the methods, costs, and proposals of carriers are subject to the supervision of the regulatory authority.

Fourth: That regulation of all types of domestic common carriers be centralized in a single, independent, federal agency responsible only to the Congress.

Fifth: That Congress define the extent to which the Federal Government shall continue its promotional activities of common carriers, and eliminate all preferences and discriminations.

The objective of national policies should be to provide such a standard and character of regulation of common carriers as will make it increasingly unnecessary for the shipper to go into the transportation business for his own account. And, if private ownership is to prevail, national policies must result in a system of competitive agencies in which gross revenues of each, derived from the lowest possible basis of individual rates, will leave a net return sufficient to attract private capital on terms no less favorable than those enjoyed by other major industries.

* * *

In conclusion, let me emphasize that the leaders of agriculture, industry, and finance can no longer ignore the implications of the grave economic position of transportation. Individually and collectively, they must shoulder the responsibility for the adoption of national policies under which this industry can survive in private ownership.

What's Ahead for the U. S.?

(Continued from page 2074)

Ickes?" If Henry Wallace ever stands up and has his followers counted, he may find that his influence has been enormously exaggerated. Even his followers in the PAC of the CIO are chiefly a publicity-grabbing outfit. The box score on their achievement in the primaries as conducted by the Dunn Survey in Greenwich, Connecticut, shows that his CIO-PAC has failed to get out the vote and to deliver the goods in the primaries this year. And we build them up when we talk about their great power and the menace they may be. The real menace is in their gift for publicity and confusion of the public mind.

Sees Reduced Productivity

I say that the major problem before us is proper appreciation of what is responsible for our material wellbeing, and I mean essentially the attribute of high productivity—high individual output per worker. It is the tendency toward reduced productivity which is at the core of our problem during reconversion in this postwar period. In some quarters it has become unfashionable in the last few years to be productive. Vast pressure groups have been organized to restrain productivity, to put quotas not only on the exertion of human energy, which may be to some extent jusifiable, but also to put quotas on the output of the iron slaves, the machines with which men work. Up to this recent period, no matter how much the human factor may have been petted, we offset the effect of this on productivity through perpetual improvement in the quality and quantity of the machines with which men work so that overall output was steadily rising and at a sharper and higher rate than prevailed in competitive countries throughout the world. So, this matter of productivity is not a trivial detail in our nation's material wellbeing.

I was somewhat amused a few months ago when a delegation of the CIO unions visted our onetime ally, the Soviet Union, and came back with an elaborate economic report of life in the Soviet Union. This delegation discussed, with great sympathy, the incentive system in the Soviet Union and was rather inclined to praise it as one of the forward looking steps in the Socialist Republic of Soviet Russia. Yet this same union group thinks that the incentive system in the United States is improper and inhumane, and they stand squarely in opposition to the incentive system.

I was in Toledo the other day and I found indications that there is going to be a break in that line. The CIO union there, the United Auto Workers, is backing down somewhat on their opposition to incentive plans. They are saving their face by saying that they still won't accept incentive plans, but they are in one instance, and two other cases that are being negotiated, accepting bonus plans which tend to accomplish the same results. They say that the difference is that under the bonus plan all the employees will participate in the fruits of the increased production, whereas in the incentive plan there is an effort to measure each individual worker. Of course, we are a great people for saving our face through word usage.

When someone asked the late Huey Long whether he thought we would ever have Fascism in the United States, he said, "Probably, but they will probably call it Anti-Fascism."

So I say that our major problem is to create an understanding on the part of our citizenry of the factors which contribute to our material wellbeing, and first among them I would rate this matter of indivdual productivity. Until we deal with it, and deal with it constructively, then the current so-called boom will remain largely illusionary and will have to be measured in inflationary terms rather than in terms of improved material wellbeing, because, my friends, costs are rising everywhere. Our costs are rising not only because of monetary and fiscal factors which are operating in that direction, but they are rising concurrently because of other adjustments.

Public Pays

There is the misunderstanding that any gains exacted in collective bargaining are at the expense of the employer. And businessmen have fallen for that sophistry and have contributed to the misunderstanding by not making it clear to the public that the businessman, the employer, is only a go-between that he is an intermediary who brings the worker into touch with raw materials and tools and brings the product of the worker into contact with the customer who meets all elements of business costs, including the labor costs, the cost of taxes, the cost of materials and services bought from others, the cost of depreciation, or the wearing out of the tools, and the growing old-fashioned of the machines, and also the cost of capital—that is, the return to the owners for the use of their savings. So when increases are added to the cost sheet, they must in turn be passed along to the customer. It is the customer who is asked to assume the additional burdens, not the businessman who is only the go-between.

You might say that these facts are so elementary that they don't need to be stated, but a group of political personalities dominated the front pages last autumn after VJ-Day by preaching the reverse doctrine. They were telling you and me and 140 million other Americans that it would not only be possible but, in the nature of things, feasible to increase costs, including wages costs, without increasing selling prices to the cus-

(Continued on page 2108)

What's Ahead for the U. S.?

(Continued from page 2107)

tomers. They were right in saying that it was theoretically possible to offset higher money wage rates because the annals of American business are replete with evidence that that is what we have done through the years, through the decades, but we achieved that miracle in former years by adding to the productivity of the worker and the tools. The reason that it didn't work out this time was that at the very time when we were marking up money wages, we were simultaneously putting restraints and quotas on output so that we did not use the higher money wages to increase output per worker per hour and thus offset the rise in the unit cost of production.

Prior to June 30th last when the OPA act expired, in authorizing more than 200 increases in price ceilings, the OPA itself was publicly certifying to the error of the doctrine which its leader had been circulating the previous autumn. Since then, after our holiday of price fixing during the summer and the resumption of controls, the OPA has been marking up other ceilings. Though businessmen for the most part were opposed to the return of the OPA, the OPA has rendered an indirect and backhanded service to business in taking some of the onus away from price increases.

These increased ceiling prices have been made under Federal auspices and with political blessings, but I wouldn't count too much on that alleviating factor. In the long run, the customer, who determines your success, is going to be more interested in results than technicalities and your success in American industry has been based on a different type of performance. Your success has been based on your genius in perpetually fighting costs and achieving the miracle of paying higher wages to workers in the form of more and better things in exchange for a week's work, while, at the same time, giving to the customer more and better goods for his money. You achieved that miracle in the American competitive system through fighting costs, through elimination of waste, through the elimination of needless motions, through the development of better processes, through more efficient tools and through the increased use of mechanical energy. That is where your success lies. You may be driven by forces beyond your control to reverse that trend. If you go along, you ought to go along reluctantly and with perpetual opposition because the effect of rising costs will be to put a ceiling on the improvement in American living standards.

There must be an understanding on the part of workers, farmers, civil servants and others that we exchange goods and services with one another, that all of us as specialized workers exchange the products of our year's labor with other specialized workers, and that the important thing is to get down the costs so that, in terms of our hours of labor, we produce more in an hour's work and have more to exchange in return for an hour's work. In order to keep the economy balanced and thriving, it is desirable that the major groups proceed in tempo and harmony so that they can trade with one another. If, through political miscalculations or through pressure group force, not based on reason and understanding, one or more major economic groups are pushed out of balance with the others, that is an undesirable trend, not only for the groups directly involved but for the country as a whole, because prosperity rests on balanced income relationships among all the producing groups, who give employment to one another by interchanging among themselves the products of their year's labor.

These elemental truths were the foundation stones of our national economic greatness. In place of such medicine which has proven itself, it has been profitable and popular in recent months and years to offer patent medicines, quack therapeutics. For example, instead of striving for a balanced national economy with some sort of equality of exchange between agricultural and industrial groups, the Senator from Montana offered an easier way out. The problem of balance requires careful calculations and minute study, but he offered an easier formula. Senator Murray introduced a full employment bill so that we would always be at the top, always at the crest of non-stop boom. He would always have a one-way street in securities, in business, and in life.

Of course, the Congress modified the bill; and in passing it, it didn't achieve that perfection that the Senator had in mind, so that we did have a slight slip-up in the stock market last month. And, of course, Representative Sabath of Illinois was outraged after he had been led to expect the millenium, so he called upon the patriarchs of Philadelphia, who were to safeguard our personal riches, to investigate why the stock market had gone down. He intimated that Wall Streets bears were the culprits, and, if so, suggested they should be thoroughly punished and sent to jail. He made it clear that their activities not only disturbed the financial plans of many good private citizens, but also that they had political implications too. And though Representative Sabath didn't spell it out, the market crash probably upset Hannigan's hope that in face of all the adverse political factors at work, the effect of the rising curves in business and in the security markets would help the incumbents to stay in.

Reasons for Market Break

But what of the facts? Why did the market break? In old-fashioned days the news services and newspapers, with which I have been associated, were naive enough to expect their financial writers to give immediate answers to such questions, but now we are in a more scientific period. At the behest of Representative Sabath, the Securities and Exchange Commission is undertaking a prolonged investigation as to why stock prices went down. It would be discourteous to the commissars to discuss this subject pending a report.

But in a purely unofficial way, without government sanction, we can look at the charts and the records and see that stock prices had been rising for some four years. Someone ought to start an investigation as to why they went up so fast and so far—why the market was devoid of the reactions that it normally would have had on the way up that would have tested each rung of the price structure on the way up. But our political planners, who want to make us all rich and happy by government fiat, had determined that the way to have a perpetual one-way bull market was to not only ever-expand the money and credit count from $55 billion to upwards of $180 billion, but also to manipulate the gadgets with which speculators worked in such a way that unanimity would prevail on Wall Street from now on.

For example, though short selling was not entirely outlawed, the provision was made rather subtly that you could only sell short on an up tick of the stock ticker, not on the way down. The idea was to hamstring the bear and make it difficult for him. Although they weren't ready to completely abolish him, they looked upon him with disdain.

On the way up, my friend, Marriner Eccles, Chairman of the Governing Board of the Federal Reserve System, advocated inflation as a means of ending the depression in the mid-30s. However, he has been disturbed in the last three or four years because his advice has been taken so wholeheartedly. He was getting uneasy and wanted to reverse himself. He didn't share this enthusiasm of Senator Murray of Montana that you could make a bull market perpetual, so early in the year he tried to calm down the bulls in Wall Street by raising margins on listed stocks to a 100%. That was supposed to calm down the rise but it didn't work that way in view of the swollen money count. At the time the break came and when courageous traders might have stepped in and bought on the way down, they found, under these new margin rules, that they needed not only courage but a considerable amount of cash. So the effect of the rule was to make the market thinner and exaggerate the movements up and down.

I say that the nefarious character of this loose economic thinking by our commissars of Washington, Philadelphia and elsewhere is to give the people of the United States the idea that they don't have to succeed anymore the hard way, that a formula has been found for financial, industrial and labor success through legislative panaceas. The effect of this full employment propaganda has been to deflect popular attention from the realities which make the economy flourish.

Let's see if I can illustrate that in another way. After V-J Day the future was a bit unknowable. Each of us, under the American system, was entitled to make our own mistakes in estimating the probabilities for the future. If we had each made our own mistakes, they would have been washed out in the process. But under this new concept of centralized economic planning in Washington, the mistakes made are whoppers because they are made not only by the men who formulate the opinions, but they are given the sanction of government and all of us are expected to follow them. After V-J Day the statisticians and economists of the Federal Administration were extremely pessimistic. They foreshadowed a quick depression with widespread unemployment, running not less than eight million. On the basis of this forecast, it will be recalled, the President recommended an extension of the unemployment benefits increasing the amounts and number of weeks over which they would be paid. However, it wasn't a good forecast. It proved to be a very bad forecast.

We didn't have the depression. We had, instead, shortages of goods and of labor. With that bad economic thinking came a series of upsetting policies which were needlessly disturbing to the economy, such as the belief that in the effort to ward off unemployment we should do something artificial in increasing purchasing power. The Administration, in its desire to ward off this depression which wasn't coming, sponsored pressure group demands that we enlarge purchasing power through marking up money wages and maintaining something equivalent to wartime take-home pay. In other words, it became the official public policy of the United States to interfere with reconversion and to stop the healthy readjustment which should follow the transition of war economy to a peacetime economy.

Let me spell that out in detail. During the war, when we turned from making things for the use of 35 million American families and concentrated on ways and means of maiming and killing the enemy, we had a temporary conception of what was essential and non-essential. As part of that war effort we deliberately tried to attract workers from civilian trades into critical war industries. Of course, it was necessary to do that as part of the war effort. Whether it was wise to do it the way we did is beside the point. We did it deliberately and with our eyes open.

During the war, when I returned from Southern California, I called on Paul McNutt, when he was in charge of the War Manpower effort. I told him that the department stores and banks around the Los Angeles area found great difficulty in getting clerical help with which to carry on because of the very much higher wage rates offered in the war industries. Paul McNutt said, "That is wonderful. That is just what we want." I don't think that was a very far-seeing view because, even in wartime situation, in order to get the wartime production, you have to service the war workers in the banks and, to some degree, in the stores. But let that point slide.

It was the official policy, through disparity in wage rates, to attract men out of the civlian trades and into the critical war industries. Therefore, when the armistice came what the country needed was a reversal of that policy so that there could be a return flow of workers from the munition industries back into the temporarily interdicted civlian trades. But this ill-considered, though seemingly plausible doctrine, of maintaining wartime take-home pay was an effort to freeze the situation and make that healthy readjustment more difficult and much slower. We are paying for it in shortages in the stores, shortages of materials and unbalanced inventories throughout the nation. But the policy was predicated on a wrong premise, on the idea that we had too little purchasing power at a time when money in circulation was greater than ever before in history, at a time when bank credit was greater than ever before, and at a time when the liquid assets in the hands of the citizen, in the form of war bonds and other savings, was unprecedentedly high.

Economics "by Ear"

We have men in public office who take their economies by ear rather than by eye, who know little about bookkeeping and care less. They have made the readjustment more difficult. The reconversion on the engineering side is well within the know-how of American industry. The difficult readjustment has been the changing of men's minds from the thinking of a wartime economy into the thinking that is needed for a peacetime economy.

The missing link in this whole transition has been popular understanding of the fact that one worker is the customer of the other worker and that if you make it tough for other workers to buy goods through arbitrarily increasing costs, you are building up trouble for the future.

I was riding in a taxicab in New York a few days ago. It was one of the few new cabs in the streets. The driver said that he had paid close to $2,000 for the cab which he could have bought for $1,400 before the war. I don't know whether he was entirely accurate in the figures, but the trend is that way. To me it was a dramatic presentation of the fact that when the automobile workers in Detroit arbitrarily marked up their wage cost and other costs, they weren't hurting the owners, as assumed, but they were hurting other workers, such as the taxicab driver who is their customer.

Where does this leave us? It leaves us with the obligation to clarify the economic process so that men use their freedom intelligently. As a free people we are entitled to be foolish; we are entitled to be fallacious. We are technically entitled to be wrong, but as a people we pay a terrible price for our errors and blunders. If we can bring clarity to the people so that they will use their freedom on the basis of precise knowledge, then, in looking to this period ahead, we can do so with greater enthusiasm and greater confidence.

Business Should Have Courage to Support Truth

In presenting the truth, the objective truth, not anybody's gilding of the lily, because the times are too serious for that, you businessmen come into the picture. It is up to the businessmen to reestablish their prestige before the public—and there shouldn't be any fudging of the truth. When men of management know the truth, based on scientific research, they should have the courage to express it simply and forcibly, without any fear of offending such people as the lady who was my hostess in a border state, a member in good standing of the League for Women Voters, who might regard an exposition of realities as a symptom of reactionaryism.

I say, if arithmetic is reactionary, then let's be reactionary. I say that, if using words honestly is illiberal, then let's be illiberal. Let's not be intimidated by labels. I say that somewhat facetiously. My own serious recommendation is that we should not only expound the truth forcibly, but that we should also identify the truth with somewhat attractive labels—that is, good intelligent merchandising—and that we can then stigmatize Henry Wallace and all the vendors of political blue sky and indicate that we are opposed to them because they don't know what they are talking about.

The late Orlando F. Weber, a great industrialist, once soid, "Nowadays a liberal is a fellow who is liberal with the truth." Let's identify in the public's mind that true liberalism, which can be measured in more and better things for the average family, can be provided best under the American competitive system, based on its record through the decades, in producing more and better goods than can any other system in the world. The American industrial system has the right to be called progressive, liberal and forward looking. When you make that clear you destroy the fakers who have appropriated these attractive and seductive labels. The time is now ripe for clarification, for the first time in more than a dozen years, for the housewives of the nation and the workers and others are beginning to ask questions. They are in a mood for a better and more scientific, intellectual explanation of what makes the wheels go around and what provides prosperity and material wellbeing.

Take Advantage of Public Ferment

Businessmen will muff the ball if they don't take advantage of this ferment which is underway. They should do what they can to make this a greater nation through disseminating popular understanding of the economic fundamentals. They should do it in the interest of our whole society. Our records at home, in contrast with the more meager achievements of other nations in material progress, show that the great fountainhead of sociological advance lies in improved industry, in the use of manpower in conjunction with more and better tools and more quantities of mechanical energy under the competitive system. Competition calls upon the individual to make the basic decisions and it operates

through the merit or incentive system, giving the stockholder, who foregoes his right to spend in return for intangibles, if not a return, at least the hope of return.

The great fallacy that if you shoot the capitalist, you avoid the cost of capital is a lot of nonsense. You face a capital cost in the Soviet Union or any socialistic state just as you do in a capitalistic society. You have costs in those foreign economies incidental to the wearing out of tools. The chief difference is that an all-powerful state, a dictatorial state, decides for the people how much of the year's production shall go into production goods and how much into consumption goods. Then the commissars on high specify what types of goods should be made and consumed, taking away from the housewife and other customers freedom of choice. So, in the transition from a capitalistic economy to a socialistic economy you don't save the cost of capital, you merely allocate to the dictators the right to determine what shall be saved and what shall be consumed. Likewise, in a totalitarian economy you take away from the worker freedom of decision as to the type of job he will seek.

During the last full year of the war, 1944, we produced upwards of 40% of all lethal weapons made in the Axis and United Nations alike, though we had only 6½% of the world's population and less than 7% of the world's land area. We produced two-fifths of all the combat munitions made that year —you would have thought, my friends, that as a result of this record there would have been greater enthusiasm than there is today for the American competitive system which met the test of war as it has met the test of peace.

In spite of the mouthings of the decadent politicians who, in the middle 30's told us that industrial plants had been fully built and that our future was largely behind us, implying that all we had to do was to get administrators in to divide the existing wealth, we met the challenge of a critical period. By 1940, when the Low Countries fell and France was defeated, we took a realistic look at our own factories and our capacity to produce and we were shocked to learn that, under the narcotics of the 30's, for the first decade in our national history, we had failed to add anything net to our store of tools. But we feverishly set out around 1940 to repair that retarded development and to make good the delay in building new plants and equipment. The record that I have cited shows that we did outproduce the world in the other fellow's game of making of lethal weapons. It was an astonishing performance and a compelling demonstration to the whole world and to our people at home, of the superior potential productivity of the American competitive system. You will recall that while the war was on, even Uncle Joe Stalin, himself, doffed his hat to the American private enterprise system and said that we had done much to contribute to the victory over the Axis.

Comes September 1946 and we begin to forget the sequence of events. A fellow who had grown up in Iowa and who had not shown any too great competence either as Secretary of Agriculture or Vice-President, at least not enough to win renomination, somehow or other got into the position of Secretary of Commerce. Just why, I don't know. I contributed what I could, at the time his nomination was before the Senate Commerce Committee, to putting on the record his conspicuous unfitness for the job, but he was put there anyway.

He made a speech in New York several weeks ago and he seemed to overlook in that speech the contributions that we made in the United States, through the high productivity in American industry, to the saving of the Soviet Union when its back was up again the wall; he overlooked the millions we had sent in Lend-Lease; and the overlooked the crucial effect of the American and British armies on multiple fronts in relieving the Russian armies.

Henry Wallace said, in effect, at Madison Square Garden in New York, "We should stop scheming against the Soviet Union." Gentlemen, were the billions we sent over in Lend-Lease scheming against Russia? Was the sacrifice of American blood on other fronts scheming against the Soviet Union? He berated us, by implication in his address, because we had followed the advice that he had been giving for several years, inasmuch as he wanted to reverse himself. He was intolerant of anybody who wasn't ready to reverse with him.

You know Wallace went around the country during the war years trying to liquidate his ideological adversaries by calling them isolationists, but in Madison Square Garden he tried to isolate us from our remaining friendly allies.

It took the President four moves to get him out. We should be thankful for small favors.

As we look ahead and see what is before us, my friends, I say that economic greatness and progress are ahead of us if we can clarify the issues and the thinking of the American people; but until we do that, we will have endless hurdles. I am not talking of the short-term recessions which are inevitable and which will shake out some of the industrial hangers-on—that type of recession may indeed be beneficial. I am taking the long view and looking ahead as to the kind of country this will be for my children and your children. I say, on the side of hope and promise, that the opportunities for progress and development are unlimited if we can clarify the people's mind in these days of complications and confusion.

As we look to the shorter period ahead, we see political change in ferment. We see the possibilities of competitive resurgence in industry so that an effort will be made to get costs in line with the capacity of the customer to buy. I say that the return of competition, the return of selling will be an entirely healthy development which will make for long-term progress. I say to you businessmen here this morning, don't wait until you are forced to recognize a competitive situation; discount it now; be read for the months ahead and revive a tradition of courtesy to the customer long before it is competitively necessary. If you do that, you will build the contacts, the friendship and the leadership that you should strive for.

As we look down the long aisle of progress ahead, we are going to find that the current laboratory of degradation, starvation and famine abroad is going to clarify for our own people the fallacy of many of the doctrines which have seemed so seductive. The common sense of the American worker, farmer and ordinary citizen is going to recognize that the American competitive system met the test of war and peace better than any of these so-called new social orders, which are neither new or orderly.

We are at the psychological moment when the man on the street is ready to accept this more sensible view. In your contracts with your own employees, with your own stockholders, and with your friends, you will find that they look to you for leadership. Take advantage of this opportunity to use your special know-how about our economic life to clarify the issue for others. Don't be stubborn in your views, don't be snug or self-satisfied. Apply some sense of salesmanship and merchandising to the intellectual field. If all of us cooperate and take advantage of this golden opportunity, then the next chapter will be indeed more constructive.

Is British Export Drive Overdone?

(Continued from page 2079)

hating and fearing this government have concentrated their utmost effort on an export drive. They leave the home market unprovided for, in order to be able to carry out at least part of their large foreign orders. Travelers returning from abroad bring back with them British goods the likes of which are unobtainable in Britain.

What is even more remarkable is that many British manufactures are cheaper abroad than they are in Britain in so far as they are obtainable at all. To some extent this is justified on the ground that no Purchase Tax is payable on goods exported. But in some instances the prices of British goods abroad are lower than their British prices ex-Purchase Tax! And this in spite of the freight, insurance and foreign import duties that foreign importers have to add to the price of British goods.

Such cuts in the price of exported goods are not really necessary. In a sellers' market British exporters would be in a position to obtain abroad even higher prices than at home. But the government called on them to refrain from taking undue advantage of the present situation by charging "extortionate" prices. And exporters have taken this warning so seriously that they are giving away their goods at bargain prices.

Their zeal is due in part to their desire to be on good terms with the government. The government has all the legal power to force manufacturers and exporters to do almost anything. Business men perhaps prefer to do of their free will what they fear the government might otherwise force them to do. They are prepared to go well out of their way in order that the government should have no excuse for intervening. Perhaps they want to prove the efficiency of private enterprise, in the hope that the government, for considerations of expediency, might slow down its nationalization program in order not to interfere with the flow of exports. Perhaps they are so keen on recovering their prewar markets that they are prepared to cut down profits on exports to a minimum.

Whatever the reason, there is a growing feeling in the country that this export drive is now grossly overdone. It should have been a necessary evil if Congress had rejected the American Loan. As it is, the foreign exchange position of Britain is not so desperate that it would call for a virtual continuation of the wartime state of austerity. Indeed this policy is decidedly shortsighted, and is apt to defeat its own end.

One of the main reasons why industrial output is still inadequate is that there is very little the worker can buy for his money beyond his rations. He is apt to spend on futile goods and services, and does not consider it worth his while to exert himself to earn more. Now if he could only buy the things he would really like to have, it would be all different. To increase the volume of goods available for him would be a good investment from the point of view of raising production. Temporarily there would be, it is true, less available for export. The trade balance figures would become less favorable. But the resulting increase of the output would enable Britain both to export more and to consume more.

Italy's Future Import Requirements

(Continued from page 2077)

an important share of machinery to favor the motorization of Italian agriculture and the industrialization of certain agricultural branches.

Coal Requirements

With reference to the Italian coal requirements during 1947, it is interesting to note that according to the point of view of Italian Government experts the coal consumption would be divided as follows:

Industry—	Tons
Railways and mercantile marine	2,600,000
Chemical & metallurgical cokeries	2,050,000
Iron and steel works	1,950,000
Building materials industry	1,550,000
Chemical industry	1,200,000
Household heating	950,000
Foodstuff industry	810,000
Textile industry	800,000
Electric industry	470,000
Engineering industry	450,000
Glass and pottery industry	400,000
Paper and cellulose industry	220,000
Rubber industry	150,000
Electrotechnical industry	110,000
Leather industry	50,000
Total coal requirements	15,260,000

Such requirements would be covered in the proportion of 3,560,000 by the Italian coal output while 11,700,000 tons should be imported from foreign countries, and exactly 6,000,000 tons from the United States of America, from 1,800,000 to 2,000,000 from Great Britain, from 1,200,000 to 1,440,000 tons from Germany, and from 720,000 to 1,200,000 tons from Poland, but it is evident that all these figures have only a theoretical value since it remains to be seen whether the various countries mentioned will be in a position to supply the quantities of coal in question, commencing with Poland, with which Italy has not signed as yet any commercial agreement, and whether the various branches of the industry will actually be able to develop the activity requiring such imports of fuel. To mention one case in this connection, it is sufficient to refer to the building materials industry the activity of which is dependent on the demand arising from the building industry. In this regard the question must be asked whether building will be resumed in Italy while the government maintains the blockade against the raising of lodging prices so that the capital invested in buildings does not receive a remuneration higher than ½% against 6 and 7% paid on the capital invested in trade and industry. The same thing may be said in connection with the iron and steel industry, and the engineering industry, the activity of which is dependent also on the liquidation of the war damages by the Italian Government.

Increase in Artificial Fibres

Of course, there is no doubt that there are certain industries, as the artificial fibres industries, which have greatly increased their output in Italy in the course of 1946 (from 670,000 kg. in January to 5,237,076 kg. in August 1946) and could have even prospects of further developments should there be a larger supply of coal. As a matter of fact, with the present demand for rayon textiles from overseas markets the Italian rayon output could be increased to 8,000,000 kg. monthly should there be a larger quantity of soda at its disposal. The chemical industry, instead, cannot raise the output of soda owing to the shortage of coals.

Furthermore, there is the question of the supply of raw materials which especially in the engineering industry are rather short. As a matter of fact, for example, the electrification of the railway from Sestri Levante (Genoa) to Rome cannot be carried on owing to the shortage of copper. On the other hand, in the textile field there is an excess of raw materials at the disposal of the Italian industry, and during the period from September 1945 to August 1946 have been unloaded at Genoa about 200,000 tons of cotton against an average yearly cotton trade of 99,000 tons during the 1936-1940 period. Among the cotton unloaded there have been also important free shipments both from U. S. A. and from Brazil sent outside of the U. N. R. R. A.-Italian Government and the Import and Export Bank-Italian Government agreements. Italian spinners have preferably made their purchases there, and by paying cash they have guaranteed themselves against any unexpected exchange fluctuations. However, it is exactly such preference that has increased the demand for dollars in Italy and has worsened the position of the Italian currency and that has induced the government in Rome to stop the authority given to the Customs Officers to admit into Italy cotton and other raw materials without requesting the Foreign Trade Ministry permit. Hereafter only such Ministry will be allowed to grant such permits and, therefore, it is evident that the import requirements of the country will be dependent on the Italian foreign trade policy much more than on the actual economic situation of the country.

Stock Exchange Ass'n Nominates Governors

The Nominating Committee of the Association of Stock Exchange Firms announced its nominations for Governors to be voted on at the Annual Meeting and Election of the Association to be held on Monday, Nov. 18, as follows:

Renominated to serve three years:

J. C. Bradford, J. C. Bradford & Co., Nashville; James M. Hutton, Jr., W. E. Hutton & Co., Cincinnati; M. Donald Grant, Fahnestock & Co., New York; W. W. Cumberland, Ladenburg, Thalmann & Co., New York; Leonard D. Newborg, Hallgarten & Co., New York; Thomas F. Lennon, Delafield & Delafield, New York.

Nominated to serve three years:

Wilbur G. Hoye, Chas. W. Scranton & Co., New Haven; Albert D. Farwell, Farwell, Chapman & Co., Chicago; Benjamin H. Griswold, III, Alex. Brown & Sons, Baltimore; Lyon Carter, Estabrook & Co., Boston; Harold P. Goodbody, Goodbody & Co., New York.

Nominated to serve two years to fill unexpired terms:

Gardner D. Stout, Dominick & Dominick, New York; William Wymond Cabell, Branch, Cabell & Co., Richmond; Harold L. Bache, Bache & Co., New York.

Nominating Committee for 1947:

Sidney L. Schwartz, Sutro & Co., San Francisco; Russell A. Ballou, Schirmer, Atherton & Co., Boston; Patrick F. Buckley, Harris, Upham & Co., Chicago; Robert W. Atkins, Shearson, Hammill & Co., New York; William B. Haffner, Wilcox & Co., New York.

The Nominating Committee which submitted the report is composed of Roy E. Bard, Shearson, Hammill & Co., of Chicago; Allan H. Crary, E. F. Hutton & Co., of Los Angeles; Henry U. Harris, Harris, Upham & Co., of New York; Edgar Scott, Montgomery, Scott & Co., of Philadelphia, and John L. Clark, Abbott, Proctor & Paine, of New York, Chairman.

The Outlook for Red Herrings

(Continued from page 2071)

before the effective date, which contains reasonably accurate and complete information and bears a specific legend limiting the use of the prospectus to informative purposes only, will not constitute an attempt, or offer, to dispose of a security nor the solicitation of an offer to buy it. To be deemed reasonably accurate and complete, the red herring must be prepared on the basis of the information contained in the registration statement as amended to cure all deficiencies cited in the Commission's first letter of comment. Five copies of the red herring must be filed with the Commission at least 48 hours before the registration becomes effective.

2. The final prospectus may consist of a red herring which is attached to and made part of a "document" containing such additional information as is necessary to correct inaccuracies and to supplement inadequacies in the red herring. The red herring and the "document" together must contain all the information required for a complete prospectus under the Securities Act.

3. Any person to whom a red herring prospectus was sent or given prior to the effective date need be sent or given only the "document," if both are sent or given by the same person.

These proposals are intended to encourage the printing and use of red herrings. To supply them with "teeth," the Commission would refuse to grant requests for acceleration of the effective date where it believed that the underwriters had not endeavored to accomplish an adequate distribution of red herrings. Underwriters would be expected to get red herrings into the hands of dealers, particularly those who may be asked to join the selling group, and would also be expected to have an adequate supply of red herrings available for persons interested in learning about the security.

On the other hand, the Commission would continue its existing policy of refusing acceleration where materially inaccurate or inadequate red herrings are circulated, until corrective information has been communicated to the persons receiving the red herring. The Commission believes, however, that this would no longer constitute a problem under the proposed procedure, since future red herrings would probably reflect the amendments required by the Commission's first letter of comment and, presumably, would not be materially inaccurate or inadequate.

After the effective date, the red herring could be made part of the final prospectus by simply attaching it to the necessary one- or two-page "document." The prospectus requirements of the Act would be met when a person who had been furnished a red herring would be given in addition, by the person who furnished the red herring, the "document" incorporating the red herring by reference and containing the information necessary to correct inaccuracies and to supplement inadequacies in the red herring.

The Commission's final proposal relates to the use of "summaries" of the information in a registration statement before the effective date. Under this proposal such a summary would not constitute an attempt or offer to dispose of the security, nor a solicitation of an offer to buy the security, provided: (1) it contains a fair summary of the most significant information in the registration statement as amended to cure all deficiencies cited in the Commission's first letter of comment, does not stress or emphasize the favorable aspects as against the unfavorable, and does not contain any recommendation or opinion concerning the merits of the security; (2) it bears a specific legend limiting its use to informative purposes only; and (3) five exact copies are filed with the Commission a certain number of days (not yet determined) before it is used.

Background of the Problem

A complete understanding of the import of these proposals requires a consideration of the background and developments which gave rise to them. The Securities Act of 1933, as amended, provides that the effective date of a registration statement shall be the twentieth day after the filing thereof or such earlier date as the Commission may determine, having due regard to the adequacy of the information respecting the issuer theretofore available to the public and to the public interest, and the protection of investors. Until the effective date, it is unlawful for any person to use the mails or the channels of interstate commerce to sell or offer to buy the securities through the medium of a prospectus or otherwise.

The intention of the Congress in prescribing a compulsory waiting period between the filing date and the effective date was twofold: to slow down the process of distribution, and to afford opportunity for public and professional scrutiny of the proposed issue. It was contemplated that during the waiting period there would be widespread dissemination of information among dealers and the public generally with respect to the issue. At the same time it was contemplated that no sales, offers to sell, or offers to buy, would be made until the effective date.

Obviously, public and professional scrutiny cannot be stimulated merely by the filing of a registration statement, even though a copy of such statement is open to public inspection. Only a small segment of the public can possibly have opportunity to inspect the statement. The Congress, recognizing this fact, met the problem for the period subsequent to the effective date, by requiring that the sale of a registered security be accompanied or preceded by the delivery of a prospectus to the purchaser. While no express provision was made in the Act for a medium of transmitting information to prospective purchasers during the waiting period, there can be no doubt as to the Congressional intention that information should be disseminated during that period. In fact, the Committee Report on the House draft of the Securities Act suggested the very medium to be employed, in the following passage:

> The bill, apart from Section 16 (b), (now 17 (b)), is not concerned with communications which merely describe a security. It is, therefore, possible for underwriters who wish to inform a selling group or dealers generally of the nature of a security that will be offered for sale after the effective date of the registration statement, to circulate among them full information respecting such a security. This could easily and effectively be done by circulating the offering circular itself, if clearly marked in such a manner as to indicate that no offers to buy should be sent or would be accepted until the effective date of the registration statement. (House Committee Report No. 85, 73d Cong., 1st Session, pp. 12-13).

Early in the administration of the Act, the red herring prospectus emerged as the most effective vehicle for the transmission of information during the waiting period. In order that the red herring should not run afoul of the prohibition against making offers to sell or soliciting offers to buy before the effective date, it was required to comply with certain standards. In general, these were that the red herring should be a fair summarization of the salient information in the registration statement; should not stress or emphasize the favorable as against the unfavorable aspects of the security; should contain no recommendation or opinion as to the merits of the security; and should be clearly marked to indicate that it was informative only and to negative any intent to solicit orders. When these standards were met, the red herring could be sent to underwriters, dealers, brokers, corporations and institutional and individual investors without violation of the Act.

This was the general situation and, by and large, it seemed to work fairly well until April 30, 1945. On that date the Commission issued a statement of policy regarding requests for the acceleration of the effective date where red herring prospectuses had been circulated. The statement of policy made it clear that the Commission would not accelerate in any case where a red herring had been circulated containing material inaccuracies or inadequacies, until the Commission had received satisfactory assurances that by apprporiate means the nature of the material amendments had been communicated to those persons to whom the red herring was distributed.

An immediate result of the announcement of this policy was to create a general doubt in the minds of underwriters as to the advisability of continuing the use of red herring prospectuses. Compliance with the Commission's standards for acceleration involved several practical difficulties. An underwriter might keep careful records of the names and addresses of dealers to whom he delivered red herrings, and yet be unable to supply the "satisfactory assurances" necessary to obtain acceleration. Since the Commission's statement of policy referred to all persons to whom the red herring was distributed, the underwriter was required to inquire into the identity of all persons who had received the red herrings from the dealers, their salesmen and employees. As the number of such persons expanded, the difficulty of later identifying them increased. Where the members of a selling group included dealers in various sections of the country, no adequate controls could feasibly be maintained by the underwriters over the distribution of red herrings. Accordingly, underwriters grew more and more reluctant to jeopardize the granting of requests for acceleration by setting in motion a process which made it difficult for them to supply satisfactory assurances that later amendments had been communicated to all persons to whom the red herrings were distributed. It was simpler, many underwriters believed, to abandon the red herring altogether.

While the Commission's objective may have been sound, the means used to achieve the objective were unfortunate. In seeking to correct what may have been an abuse, the Commission succeeded in discouraging the development of the most practical device for circulating information during the waiting period.

If underwriters and dealers are again to be encouraged to circulate red herring prospectuses or other forms of information during the waiting period they must be assured (a) that the dissemination will not in itself constitute an attempt to dispose of the securities in violation of the Act, and (b) that it is not likely to delay acceleration of the effective date of the registration statement. The current proposals of the Commission represent an attempt to reverse the undesirable trend away from the use of the red herring by giving these assurances.

Comment on the Proposals

1. The projected rules would make an important contribution to the promotion of the purposes of the statute by assuring to underwriters and dealers that a red herring prospectus will not in itself constitute an attempt to dispose of the security or to solicit offers to buy, provided that the prescribed conditions are met. The rules would have the effect of removing any doubt which may linger in the minds of underwriters and dealers as to the legality of a proper red herring.

2. In order to be protected by the proposed rules, the red herring must be prepared on the basis of the information contained in the registration statement "as amended to cure all deficiencies cited in the Commission's first letter of comment." This provision is far too restrictive, undoubtedly more so than the Commission intends.

In the first place, it has been common practice for the Commission to note as deficiencies various matters which are not in fact material and which the staff often waives after conference. While only material matters may be intended, the rule literally requires that "all" deficiencies be cured. Thus, if there is not precise and exact compliance with the deficiency letter, notwithstanding that it may refer to immaterial deficiencies or to deficiencies later waived by the Commission's staff, the red herring would not have the protection of the rule. Hence, the requirement should be limited to the curing of material deficiencies; and the Commission's first letter of comment should concern itself exclusively with material deficiencies.

Secondly, if the Commission continues to cite as a deficiency the failure to include price and underwriting data, the rule would, perhaps inadvertently, require a substantial and drastic change in present underwriting practice. Instead of supplying such information immediately before the effective date, as is now the practice, the underwriters would be required to include it in the red herring. The rule, therefore, should except price and underwriting data from the deficiencies to be cured in the red herring.

Thirdly, under the present draft of the rule, it would be inadvisable for underwriters to distribute an amended red herring based on later deficiency letters or changes necessitated by altered conditions, since such a procedure would not conform with the requirement that the red herring be based upon the "first" letter of comment. This objection can be overcome by adding a provision making it permissive for the red herring to cure any other deficiencies which may come to the issuer's attention before the red herring is used.

Finally, it would be advisable to provide for a "clearance" letter or telegram to be sent by the Commission to the underwriter when the red herring is deemed by the Commission to contain the information necessary to cure the cited deficiencies. The question of whether a deficiency has been cured is frequently a matter of opinion. Underwriters may be hesitant to gamble on the ultimate outcome. A "clearance" letter or telegram, by furnishing assurance that the standards for acceleration have been satisfied, would encourage them to proceed with the distribution of red herrings.

3. Five exact copies of the red herring must be filed with the Commission at least 48 hours before the registration statement becomes effective. This requirement, coupled with the requirement that deficiencies in the first letter of comment be cured, would defeat the entire program, unless the first letter of comment were received in ample time for the issuer to complete the preparation of the necessary amendments and to prepare, print and file the red herring prospectus at least 48 hours before the effective date. A red herring put into circulation within a matter of hours before the effective date serves little purpose. To be useful, red herrings should be distributed several days in advance of the effective date. While the projected rule does not prohibit distribution before filing, it does require that distribution be postponed until the first letter of comment is received. Consequently, the workability of the entire program depends upon a speeding up of the Commission's procedure in examining registration statements.

4. The final prospectus may consist of the red herring which is attached to and made part of a "document" correcting any inaccuracies or inadequacies in the red herring. Any person receiving a red herring prior to the effective date need receive only the "document" if both are delivered by the same person. Under this program the Commission would no longer require proof, as a condition to acceleration, that every person who received a copy of the red herring had also received a copy of the final prospectus. It is implicit in the rule that the liability of the particular transmitter of the red herring would be satisfied by his sending a copy of the "document" to the recipient of the red herring. In other words, the underwriter would no longer be held responsible for transmission of the final prospectus by the dealer. This will go far to remove the practical difficulties created by the Commission's earlier statement of policy regarding acceleration.

5. The Commission would refuse acceleration of the effective date where it believed that underwriters had not tried to accomplish adequate dissemination of the red herring. Some uncertainty may arise on the question of what constitutes an attempt at adequate dissemination, particularly where the underwriter does not contemplate the formation of a selling group. This uncertainty will tend to disappear, however, as the standards are crystallized through administrative precedent.

6. The provisions relating to the distribution of "summaries," as distinguished from red herring prospectuses, are the least effective portions of the program. This is due primarily to the absence of any adequate standards for the preparation of a summary. If this omission is left unremedied, it may result in widespread neglect of the summary as a means of circulating information during the waiting period, particularly since the use of summaries is permissive and not mandatory.

In its memorandum accompanying the proposed rules, the Commission states that "the very nature of the summary makes it impossible to establish an absolute standard of what it must contain —that there must be a certain latitude of independent judgment allowed to the author." Nevertheless, there is ample precedent for a specification by the Commission of the general matters to be included in or omitted from a summary. For many years the Commission's rules have authorized the omission from a prospectus of various items contained in the registration statement. By enumerating the items which could be omitted, the Commission established standards upon which an issuer could safely rely in preparing the prospectus. These well-recognized standards will serve as a guide to the preparation of the red herring prospectus under the proposed rules. They

will not serve as a guide to the preparation of a summary, since it is contemplated that the summary will be a more condensed instrument than the red herring. But the approach used by the Commission in fashioning the contents of a prospectus would be equally valid with respect to the summary.

The Commission has gone even further in the case of newspaper prospectuses. Its instructions for various registration forms have permitted the deletion from newspaper advertisements of a great many items of the registration statement which could not be omitted from the offering prospectus. This procedure was prompted by the need for brevity in a newspaper prospectus. A similar need for brevity exists in the summary. Like the newspaper prospectus, the summary would merely direct public attention to the salient points in the registration statement. Since the summary bears some relationship in purpose to the newspaper prospectus, the Commission might readily adapt the existing standards for newspaper prospectuses to the summary. If this were done, the summary could well develop into a favored device for disseminating information during the waiting period.

The development of the summary should not be restricted because of the possibility that unscrupulous persons may unfairly slant or emphasize the information it contains. The Commission has ample power to deal with that possibility. In the first place, the program contemplates that the summary will supplement the red herring prospectus and not be a substitute for it. Consequently the red herring will be generally available to correct any misleading impression which might otherwise be created by the more condensed summary. In the second place, the summary must be filed with the Commission a specified period before it is used. This requirement should not only serve as a deterrent to unfair slanting or emphasis, but should afford the Commission opportunity to demand any necessary changes. Finally, the summary could not lawfully be used after the effective date unless accompanied by a prospectus conforming with the requirements of the Act. With these safeguards, the potential dangers in the use of a summary are negligible as compared with the advantages to be derived from its development into an instrumentality for the circulation of information under proper standards.

The proposed program, amended as above suggested, should have the effect of promoting the broader dissemination of information during the waiting period. It represents a material advance over the Commission's existing policy with respect to red herring prospectuses. Under the present policy, the power to withhold acceleration constitutes a deterring factor to the circulation of red herrings; under the proposed program the same power would become an encouraging factor. The outlook for the red herring under the new program is far brighter than it has been in the past.

Financing Foreign Trade

(Continued from page 2077)

ment of acceptance credit at present is that the cost of such financing—currently around $2\frac{1}{2}\%$ per annum—runs slightly above the rate for prime commercial paper.

With the loanable funds of our banking institutions by no means fully employed, and their acceptance power in only nominal use, there can be no question with respect to the availability of funds to finance our exporters and importers, at rates so moderate that it is certainly fair to say that any business which cannot readily absorb them had better not be entered into.

The Export-Import Situation

To appreciate the problem involved in the financing of our foreign trade as differentiated from financing our foreign traders, let us take a look at the current foreign trade figures. In June, our commercial exports rose to $684 million, the highest level for any month since December, 1920. Total exports, including UNRRA and Lend-Lease shipments, were $878 million, the highest level in 26 years. June imports at $385 million, were 5% below the $406 million high for fifteen years reached April, 1946. These figures mean that after a short interruption caused by our greatly enlarged imports of raw materials for war purposes, and enormous expenditures for the maintenance of our armed forces around the world, at a time when we had neither the goods to export nor the ships to carry them, we have reverted to our normal position as creditor in visible international trade account.

The basic principle of foreign trade is that it is a trade, and trade must ultimately balance. We can give to the limit of our productivity, but we can trade no more goods than our purchasers can pay for out of what we buy from them plus what we pay them for services, such as freight and foreign travel, plus what we give them in remittances to relatives and friends.

Of course, if the exporter is content to accept payment in local currency he can continue to sell; but that will eventually tie up his capital unless a market for these local currencies is created by private investors in the United States who contemplate making investments overseas. The recently issued report of the Colmer Committee on The Postwar Foreign Economic Policy of the United States estimates that in the postwar period our private foreign investments, with proper encouragement, might amount to as much as $2 billion a year. This is a sound and effective way to augment the supply of dollars available for payment of our exports. It is subject to the limitation that provision must be made for the remittance, in dollars, of the interest and dividends on the sums thus invested abroad. It is further subject to the qualification that the practice of foreign investment must be continuous, because its cessation would curtail the expansion of our exports and its reversal would diminish them.

Foreign Loans to Finance Exports

What about foreign foans to finance exports? The fundamental fact about a foreign loan is that it is a deferred import. In other words, the stimulation of exports created through loans involves a corresponding restriction of exports when the loans are paid. This statement is subject to the qualification that a foreign loan may possibly be used for a purpose which will generate sufficient additional dollar exchange during its life to provide for its payment at maturity.

A considerable distortion in our balance of trade with any country can be financed by a loan without detriment—indeed, with mutual benefit — as long as the adverse balance is not so severe or so protracted that an ultimate balance becomes impossible. The difficulty is to agree upon some traffic signals for the journey on such a detour. We can start by discussing how one realizes that the detour has begun. Not by a map. The statistics of the balance of trade and international capital movements which constitute such a map are, at best, guesses. One of the great gains that can come with the completion of the organization of the Bretton Woods institutions is an increase in the accuracy and speed of these tabulations. But until there is much improvement in the bookkeeping of many nations which are looking to us for goods, the signal that the detour has begun will be the same time-honored one that betrays the financially embarrassed business man everywhere—the nation will be reported slow-in-the-trade.

In the case of foreign trade, it is the nation as a whole, and not the individual buyer, that becomes slow. The buyer may be solvent and liquid, with an abundance of local currency with which to purchase dollars; but if his country has incurred an adverse balance of payments in international account, the dollars cannot be purchased with his local currency. The only way that he can honor a bill of exchange drawn in dollars is to deposit the local currency equivalent and engage to make further deposits to meet any depreciation in its value until dollars are again available.

The sure signal that the detour has begun is a report that a nation is deficient in dollars with which to pay for imports from the United States. Having agreed on that point, our problem is to determine its significance. It is likely to represent something more than temporary congestion, because the local banks, by drawing 90-day drafts on their bank correspondents in the United States in accordance with powers conferred by the Federal Reserve Act in such a situation, can create dollar exchange to meet a temporary excess of demand over supply. We have, then, at least a caution signal, indicating that the excess demand for dollars is too severe for the local banks to meet with short-term credit measures. If further purchases of goods from the United States are not to cease, a loan of some duration is indicated. And right here is where the danger lies. The proceeds of the loan clear up past-due bills and provide dollars for current purchases. Our slow-in-the-trade customer is again reported to be a prompt payer.

Is the detour ended? Not at all. On the contrary, it has become more devious, and certainly much more dangerous. The loan has set the traffic sign at green, and trade proceeds at a merry clip, unrestrained by worry about where the dollars are coming from. The loan has transferred that worry to others. If the loan was arranged by our investment bankers through a public offering, the risk is on the investing public. If the loan was arranged through our government, the risk is now on our taxpayers. On loans to be arranged by the International Bank for Reconstruction and Development, our taxpayers will share the risk with those of the other subscribing nations. In any event, for our foreign traders export has served its purpose, which is to sell goods for a realized profit. But exports sold by our foreign traders and paid for by our investors and taxpayers will not result in benefit to the people of the United States until we as a nation have received from others, in products and services, the equivalent of the products and services which we have supplied to them. And that means that an international loan, like a single purchase, can be paid only with goods and services. The trade cycle, no matter how long and usefully it is postponed, can eventually be completed only by reversing the normal position of the United States from that of a net exporter of goods and services to that of a net importer of goods and services.

Essentially, our program for economic assistance to the United and Allied Nations consists of the delivery of some billions of our current productivity to friendly nations, in the expectation that they will shortly be able to send us yearly at least sufficient goods and services, of the sort that we can willingly and advantageously receive, to compensate us for the use of our capital, and in the further expectation that they will ultimately be able to increase their output to the point that we will receive in production from them the equivalent of what they presently receive from us.

When Foreign Loans Should be Made

Foreign loans should, then, be geared not simply to our ability to produce goods in excess of our own necessities, but to the ability of the recipients to produce, ultimately, an equal volume of goods that we can usefully and willingly receive. That means that foreign loans should not be made to finance the borrower's domestic deficit, nor to finance any domestic enterprise which can be built with local labor and local material. Nor should a foreign loan be used to finance any enterprise which requires foreign materials or skill, unless the enterprise will be put to a use which promises to create useful goods for export of a dollar value at least equal to the interest and amortization on the loan.

These principles—though they seem not to restrain the do-gooders in our government who have proposed a $6 billion loan to Russia, and proportionate amounts to China to develop a Yellow River Authority — are fortunately respected and observed by those who are responsible for the operation of our Export-Import Bank. They are usefully set out in the first report of the National Advisory Council, transmitted by the President to the Congress on March 1, 1946, entitled "A Statement of the Foreign Loan Policy of the United States Government." Among other things, the statement emphasizes that postponement of the payment process, while useful, is possible only if a favorable atmosphere is provided for its foreign investment pending repatriation. It is conceivable, the report states, that "in a world of peace, prosperity, and a liberal trade policy, there may well be a revival and continuation of American private investment on a large scale, including a reinvestment of the profits of industry, that will put the period of net repayment far in the future."

Evidence of the fact that both the release and the use of credit in accordance with sound principles is no easy matter is supplied by the fact that, while the President's Budget Review, in August, estimated that our foreign credit program would require $4,168 million for the fiscal year, the total actual outlay for the first quarter was but $567 million. Since July 1, repayments of Export-Import Bank credits have exceeded new loans from borrowed funds by $33 million. Up to the middle of September, the United Kingdom had withdrawn but $400 million of the approved $3¾ billion credit, which was considerably below the earlier estimate of needs during this period. "Business Action," the weekly report of the Chamber of Commerce of the United States, of September 16, predicts that "for the fiscal year 1948, the outlay in the international finance program, including the British credit and loans through the Export-Import Bank, does not seem likely to exceed $3 billion and may not run that high."

There is reason to hope that the voice and influence of the global planners and super-lenders has waned, and that our loans for reconstruction and development will be extended to those countries—and those countries alone—in which conditions favorable for production exist. So used, our funds will supply machinery and equipment to multiply men's labors, with a resultant improvement in their standard of living, and a rise of production to levels out of which repayment in goods may ultimately be made.

Several years ago, when our plan for international financial collaboration was taking form, I thought some wisdom might be extracted from the record of the past. In that search, I ran across a statement in the report of the Brussels Economic Conference of 1920, which I have frequently quoted. It is so basic—so fundamental—that I have suggested that it be displayed in bold type in the Board Room of every public financial institution. May I leave it ringing in your ears:

> "Finance is, after all, only a reflection of commercial and economic life — a part only, though an essential part, of its mechanism. The wealth of the world consists of the products of men's work, and the sum total of human prosperity can be increased only by an increase of production. All that any official or organized action can do is to create conditions which are favorable to production, and of those the most important fall outside the sphere of finance."

Fownes Stock on Sale

Van Alstyne, Noel & Co., underwriters, on Oct. 21 made the first public offering of securities of Fownes Brothers & Co., Inc., glove manufacturers. The shares for sale are part of the holdings of Ivens Sherr, president of the company, and part of those of his son. The offering consisted of 100,000 shares of $1 par value capital stock at $9.50 a share.

The company's present American set-up was accomplished by an incorporation under New York laws in 1921. The Sherrs acquired control of this company in 1936 from Fownes Brothers & Co., an English partnership, and from members of the Fownes family, whose glove manufacturing enterprises began in Worcester, England, in 1777..

The American company is capitalized with 300,000 shares of stock, of which 200,000 are to be retained by the Sherr interests, the underwriting managers said. The American company maintains plants at Gloversville, Amsterdam, Fultonville, Worcester and Broadalbinal in New York State.

Konga International Offered at $4.25 a Sh.

An issue of 50,000 shares of common stock, par value $1, was offered to the public Oct. 22 by John J. O'Kane, Jr., & Co., New York. The stock was offered at $4.25 per share as a speculation. The company was incorporated in Delaware Sept. 13, 1945, and is the sole owner of the formula and all patents, copyright, trade marks in connection with the name "Konga." Konga is a carbonated soft drink sold to the general public in bottles at 5 cents. Its flavor is made from a secret formula with essences distilled from fruits, herbs, roots and barks. The proceeds received will be used by the company to expand its activities throughout the country by sales promotion, advertising, etc., and for the purchase of additional machinery, materials, etc.

Bramhall, Barbour Co. To Be Formed in NYC

Bramhall, Barbour & Co., Inc., is being formed with offices at 25 Broad Street, New York City, to engage in the securities business. Principals of the new firm will be H. Keasbey Bramhall and Phillips T. Barbour. Mr. Bramhall was formerly a partner in Dick & Merle-Smith.

Pitfalls and Guideposts of Commercial Banking

(Continued from page 2083)

Banking Changes

My purpose in making these comparisons was to establish what, for want of a better term, we will call "fields of experience." The principal differences revealed are these:

1. A marked difference in loan types and the importance of loans in the aggregate as earning assets;
2. A difference in the nature and importance of the investment portfolio;
3. A variance in the deposit structure.

These observations suggest that I should discuss pitfalls and guideposts with especial reference to (1) loans for productive purposes; (2) investment problems; and (3) deposit characteristics.

I am not going to take up these subjects in any "order of importance" but instead will discuss them in inverse order to what I suspect is the weight of your interest. It might be appropriate to stop right here and mention something that I have come to regard as Pitfall Number One—something which I have heard described as an "occupational disease" of bankers, a charge which in my opinion is not justified since this affliction is found in every walk of life.

What I have reference to is the belief or attitude that one has already all the answers—that there is nothing new under the sun. Nobody has all the answers, and the only safe plan is to assume that all past experiences and all present knowledge are nothing more than "points of departure" for charting the future's course. All too often men with years of experience in banking tend to solidify in their thinking. They see in each new problem, even in each new opportunity, a striking parallel to some situation of the past which did not work out as hoped and, instead of seeking the causes of failure of the previous effort in order that the current hope may be brought to fruition, they find themselves taking the easier course, which is to say "no." Please do not misunderstand me; the successful banker has to say "no" many times, and when that is the proper answer, he should say it with kindly finality. What I am trying to say is that we should approach each new day with an open mind, saying to ourselves, "This is the day when I shall think a new thought, encounter a new idea, or aid in some new endeavor to improve the economy of my community."

But enough of that—and back to our particular topics with our attention turning first to deposits.

Of course none of you are accepting deposits for the first time, but since many of you in recent years have begun to seek accounts from so-called commercial customers, it seems in keeping with my subject to include a few general observations. In order to orient our thinking we might ask ourselves three questions:

1. Where and how do deposits originate?
2. How and why do they flow to and from your bank?
3. How can you know when they are going?

Let's state our answer to the first question this way: The aggregate deposits of the banking system as a whole increase when loans increase, increase when investments increase, increase from a net inflow of gold, increase when currency in circulation outside of banks decreases and, in each case, vice versa. I am oversimplifying the matter somewhat, but that is sufficient for our purposes. Valuable guideposts indicating future deposit developments are available to any banker who watches these factors regularly.

Deposits flow into your community when the products and services of its citizens have, on balance, a greater dollar value than funds "exported" to settle for "imported" products and services. (Again, I am aware that my statement over-simplifies the case.) They flow into your bank when you have convinced the public that you can and will, cheerfully and courteously, provide the maximum of service at the minimum of cost. Again valuable guideposts are obvious—it will amply repay you to constantly study the economy of your community, its relative advantages or handicaps and prospects. I need say nothing on the vital importance of your public relations program; you have already proved your astuteness in that field. Let me just add, however—never rest on your laurels.

The answer to our third question is illusive, and I do not believe it permits any categorical answer. In the past you have had a very great number of small accounts, a relatively few medium-size accounts, and frequently no large accounts. In many instances your deposits have been predominantly time deposits. As you succeed in "breaking into the commercial field," so to speak, you will attract more and more of the larger and more volatile accounts. And whereas the nature of the small ones is more uniform and their analysis simple, conversely the nature of the larger accounts is frequently more variable and analysis must be made in greater detail, and at more frequent intervals. Many commercial banks have found it definitely worth while to analyze regularly their deposits according to classes of ownership, to chart the trend of each class over a period of years and to make projections based upon the economic prospects of each class. An explanation of the technique employed requires more time than we have at our disposal today. Should any of you be interested in making such a study of your own bank, and I cannot emphasize its value too strongly, if you will write me at the Federal Reserve Bank of Richmond we shall be glad to send you explanatory material and the necessary forms.

Guideposts—useful in charting your future course—have been mentioned. Let us state certain pitfalls and leave them without any discussion.

Pitfalls

1. A sense of complacency and self-satisfaction arising from a period of increasing deposit aggregates.
2. A sense of confusion or bewilderment arising from the complexity of the problem and resulting in failure to keep constantly informed regarding the economic factors affecting your community, and therefore your deposits.
3. Failure to constantly strive for as much economic diversification among your depositors as the nature of your community will permit.
4. Failure to correctly appraise the possible consequences of a lack of economic diversification when it cannot be achieved, and adjusting your course of action accordingly.

Investments

Now, let us turn our attention briefly to another field in which your past experience has been somewhat limited—*investments*.

Most of your experience here has been with governments, but if you are going to be active in commercial banking it is not likely that you will confine your future activities to such bonds. True, all the evidence points to governments' constituting a major segment of bank investment portfolios for a long time.

Since 1940, at least until the end of the war, there was little activity in either corporate or municipal bond flotations. In the past too many banks have said, "This is a specialized field; I know nothing about it, so I'll turn the problem over to somebody else." These *are* specialized fields, but you are not justified in turning your responsibility over to someone else. Least of all should you expect a seller of securities to be in a position to discharge fully the obligations of an investor. Frequently and naturally, the interests of buyer and seller are dissimilar.

There are two broad designations of securities—the so-called "money" bonds, and "credit" bonds, and you must be able to distinguish between them. Different investment techniques are appropriate to the two classes.

"Money" bonds are obligations where the risk of nonpayment of interest and principal as and when due is reduced to such a point that it may almost be considered non-existent. They enjoy maximum shiftability.

"Credit" bonds, on the other hand, are long-term loans with varying degrees of shiftability and devoid of the intimate relationships and personal characteristics associated with most of your loans.

A major pitfall arises from the possibility of confusing the two types.

For the purpose of our discussion, let us assume there is only one "money" bond—direct obligations of the United States Government—that all other bonds are "credit" bonds even though we must admit at the same time that the degree of credit risk varies enormously. To some this may appear to be an unwarranted position, but I assure you it is the safer course to follow. It simply means that, except in the case of direct obligations of the United States, you will satisfy yourself as to the risks involved.

Recently quiescent, but due for a sharp revival, is the issue of obligations by States and their political subdivisions, obligations which, for the purpose of this discussion, we will lump together into a class and call municipals. Generally speaking, municipals have a good—though "spotty"—record. But some inexperienced and unwary investors have fallen into a trap by assuming that municipals are "money" bonds. That simply is not true. The evaluation of risk in the municipal credit field is a fairly well established technique and, before you enlarge this section of your portfolio, you would do well to obtain some one or more of the available texts on the subject and engage in a little serious study. Lack of comprehensive financial information constitutes a major problem.

One special note of caution before passing on: some cause for concern is seen in the development of revenue bond financing. I have in mind here securities which rely solely upon the revenue from some specific source and are not supported by the full faith and taxing power of the issuing unit. Each separate issue requires individual appraisal and every prospective purchaser should demand complete financial information before buying, and assure himself also that current operating statements will be available throughout the life of the bond. Credit standards appropriate to private ventures in similar fields, subject to adjustments necessitated by the different powers of the issuers, should apply.

It is an error—a pitfall, if you please—to assume that because the issuer is a State or political subdivision that the bond is without risk or even that it falls in the same risk category as general obligations of the issuer. (True, you will find cases where the revenue obligations are superior in quality to the full faith and credit obligations of the same issuer.)

Another pitfall may be found in confusing size and importance of issuer with soundness of issue. Contemporary thought seems to place a premium upon size and power, but philosophers have observed "how the mighty have fallen," and "the meek shall inherit the earth." Some of our best informed authorities believe that certain of our large municipalities face insoluble problems which portend decay. I shall attempt no prophecy, but suggest that the standard railroad crossing sign—Stop, Look, and Listen—is sound advice.

Much of what has been said concerning municipals is equally applicable to corporate bonds. It is axiomatic that credit requirements of a sound commercial loan should not be abandoned simply because the form of the obligation has been changed to a bond.

Loan Pitfalls

Before turning to the field in which I believe your major interest lies, namely loans, let me simply mention three further sources of possible trouble:

1. Allowing yourself to be lulled into a false sense of security because some larger bank also holds some of the corporate issues you are holding. Even Chase can make mistakes and it is just possible they may be in a better position to protect themselves or "if worse comes to worst"—absorb the loss. You should *yourself* have adequate and current credit information concerning every corporate issue in your portfolio.
2. Substituting "ratings" by commercial agencies for individual credit analysis. Historically the commercial agency ratings have shown a tendency to follow rather than precede the market. And that leads us to the final "pit" that I shall mention in the investment field.
3. Playing the bond market—shifting the composition of your investment portfolio with each passing whisper of the innumerable "experts" who furnish "confidential" information to all. Personally, I do not believe that buying and selling bonds with a view to obtaining a net profit from the day-by-day fluctuations of the market has any place in a commercial bank. Not that a bond once bought shall be retained "come hell or high water" but rather purchase for yield to maturity or call should be the underlying philosophy.

Time marches on, so, let us turn our attention to the field of perhaps major interest—loans. You have specialized in a type of loan where, by achieving a sufficient volume, you have been able to rely considerably upon what we might term the law of averages in the field of credit. By pooling your experiences and observing certain standards applicable to large numbers of borrowers without the necessity of exhaustive investigation in individual cases, you have been able to place your risks upon what might almost be termed an actuarial basis. But in entering the field of what we shall call "commercial" lending these techniques will be of little if any value to you. No one of you will be able to develop a sufficient volume to achieve an "averaging" of risks. You must become specialists in whatever type or types of "commercial" loans are available in your respective communities. If your bank is located in a distributing center, you must become familiar with the problems and techniques of retail and wholesale trade. If you are located in a manufacturing center, the chances are that some few particular products or types of manufacture will predominate and you will find it necessary to become thoroughly familiar with the language of these particular operations.

This brings us to a new departure for you and a pit into which many banks have fallen, some to emerge after tears and travail, others to disappear forever. I have in mind:—

Failure to obtain and maintain full and complete credit information.

All too many banks look upon their credit file as something which must be maintained to satisfy the examiners. It is hardly necessary to add that no good bank entertains any such point of view, for nothing could be farther from the truth. The credit file is the heart of any successful commercial bank. It is not enough to obtain balance sheet statements annually and let it go at that. If you fall into that trap you will pay dearly, perhaps more than you can afford.

Beyond the need for current financial and operating statements you need similar statements for preceding years, and a thorough analysis of such statements made by someone who can see through the figures and read the signs, tell whether the prospective borrower is on a good competitive basis in the industry, obtains efficiency of operation, and enjoys quality of management, etc. An X-Ray picture is of little value except in the hands of an expert. To do a good job in lending money to "big" local business it is also necessary that your analysis be so clear and your knowledge of the industry so complete that you could see that a loan to a borrower, say for $100,000, would be bad business for both your bank and your client, whereas a loan for $300,000 would be sound for you both. That is often done and it is good business when the lender knows his business.

In a book released two weeks ago by the Research Committee of Robert Morris Associates entitled "The Credit Department, a Training Ground for the Bank Loan Officer" appears a paragraph which conveys my thought in words more effective than I can command:

"A financial statement is a 'picture,' and most financial men frequently refer to it as such. If the analogy is pursued further, the balance sheet may be referred to as a 'still picture,' in that it 'freezes' a moving process or business phenomenon at a stated place and at a stated time. By the same token, the profit and loss statement may be likened to a 'motion picture,' intended to show business history in the making and in between balance sheet dates. The 'still' shots, set up side by side, may be thought of as portraying the condition of a given business at stated intervals. However, taking a picture of little Jimmy only on his birthdays will not explain such developments as physical growth, changes in features, or personality changes. Sole reliance on the snapshots will cause the observer to miss such occurrences as Jimmy's summer at the farm or the time when a tendency toward chubbiness first occurred. Aside from general knowledge as to how well or poorly he was eating in that period, such changes in little Jimmy could not accurately be accounted for except through a 'motion picture' record of the whole period. Furthermore, when Jimmy was seen riding his bike, whistling with his hands in his pockets, crying over an injury, or winning all the marbles in the neighborhood,

he became something real, vital, and functional; and the observer's attitude towards him, because of increased familiarity with his activities and interest in them becomes greatly enlivened."

If you are not prepared to expend the time, effort, and expense to develop adequate credit information, then, let me urge you—get out of the commercial banking field and stay out!! No conclusive definition of what constitutes adequate credit information is possible since it varies from time to time, depending upon the condition of business generally, and from business to business depending upon the nature of the operation and the risk element involved.

Perhaps an illustration or two would be in order:—

Some years ago an old and well established company was operating in one of our southern states. The nature of its business called for large amounts of credit at various times, and in order to supply its needs, banking connections had been established throughout the state and in neighboring financial centers. The type of operation and fluctuating credit requirements indicated clearly the need for interim operating and balance sheet statements supplementing annual audited reports. But the operation had been so successful over a period of years that the banks ceased to demand these interim reports. Then suddenly, without warning, the business went on the rocks with substantial losses to its creditors. What had happened? Something which would have been unlikely if not impossible if the indicated financial information had been required by the creditor banks. The company had used its established credit lines to speculate in other fields, getting deeper and deeper until it was hopelessly involved. You understand that such cases are the rare exception and not the rule, but it is against the exceptional case that you must protect yourself.

More likely to bring your share of headaches is the business which moves up and down with such rapidity that you must watch its affairs almost daily. The other day an able commercial banker was discussing with me the problems of a particular line of business endeavor, one into which incidentally some of you have ventured I understand,—I refer to the trucking industry. He felt that he needed complete financial information monthly, and in some cases additional reports were required weekly!

We cannot spend much more time on this particular subject but there is one additional pitfall which must be mentioned before we leave—I have in mind sending good money after bad.

Probably you do not need to be reminded of this since you have operated on a principle of establishing reserves currently and charging potential losses against these reserves as they appear. But will you have the fortitude to continue this healthy practice when the dollar figures involved are substantially larger and when the famliarity which comes with regularity is absent?

Perhaps one illustration will suffice:—Some years ago a commercial bank made a loan to a company for operating purposes. Bad management or bad luck, who can tell, seemed to plague the company and the loan was renewed from time to time without curtail. There were other obligations of the company and finally the day came when some other creditor decided to "call the hand." The bank loan at that time was $6,500. The bank had the choice of letting "nature take its course" with the company going through bankruptcy, in which case the bank would probably have lost the entire loan, or putting up additional money to pay off other creditors, make further loans to revitalize the company and assume an active part in the management of the business. It chose the latter course. Let's make a long story short—that bank finally had over $60,000 involved in that business and to date, after 10 years, $15,000 has been charged off and the loan is not yet paid. You get the point I am sure—not that all such ventures work out that way, not at all—but when you face such a decision, unless the evidence is overwhelming, give your stockholders the benefit of the doubt—take your loss and turn your efforts to more profitable enterprises. Of course, such a policy presupposes a d e q u a t e reserves. Inadequate reserves have caused more than one commercial bank to send good money after bad simply because it felt it could not afford to take the loss currently.

You must secure, or yourselves become experts in, the field of credit analysis if your ventures into commercial banking are to be successful. The efforts of sincerely interested but inexperienced amateurs can produce unexpected results in any field. D. C. Armanino, Chairman of the National Public Relations Committee of the American Institute of Banking, tells a story which points up the thought I am trying to express. Here is his story:—

"A friend of mine makes a hobby of clocks. A few years ago he bought a cuckoo clock that didn't work. He brought it to a watch repair shop to have it fixed. The repair man was loaded down with work, and suggested to the customer that he fix it himself. So the customer took it home and fixed it. A month later the customer passed by the watch repair shop. The repair man was curious to know if the cuckoo clock worked, and asked the customer if he had fixed it. The customer replied, 'Yes, I fixed it.' 'How does it work?' asked the watch repair man. 'Fine,' said the customer, 'only the cuckoo backs out every hour and says, "What time is it?"'"

But do not despair; the varied credit fields have been explored and many guideposts will be found along the way. A most valuable one is the industry studies being made annually by Robert Morris Associates in cooperation with the Federal Reserve System. Incidentally, would you consider it out of order if I put in a plug for that association—if you do not already hold a membership in the Robert Morris Associates you would do well to seek one. To a bank just entering the field of commercial credit in a big way the historical studies and credit file suggestions available from the Associates should be invaluable.

It is much easier to guard against error than it is to correct mistakes. A familiar credit maxim is, "The best loans are collected when they are made." Herbert Asbury, in his book "The Gem of the Prairies" tells an amusing story which may have a message for us today. Back in the days when Chicago was only a frontier village a young couple, John Smith and Peggy Myres, came before a justice of the peace to be married. This justice of the peace had in fact just set himself up in the business and actually had not been legally installed in the office. He was aware of this deficiency, but the situation called for action, so he did the best he could by performing some kind of a ceremony and issuing the couple this license:

"State of Illinois
Peoria County
ss:

To all the world Greeting. Know ye that John Smith and Peggy Myres is hereby certified to go together and do as old folks does, anywhere inside coperas precinct, and when my commission comes I am to marry 'em good and date 'em back to kivver accidents."

Conclusions

My remarks have consisted largely of a statement of occasionally overlooked pitfalls in fields of commercial banking which many of you have recently entered. Now let me conclude by inviting your attention to a few general observations which you may call pitfalls or guideposts, as you choose:

1. Don't try to "outsmart the field." For every such effort that succeeds there are numerous failures. You will go farther and last longer if you work with rather than against the other fellow and play the game according to established rules. If you don't approve of the rules—then this is still a free country and you are at liberty to endeavor to effect changes in the rules, but in the meantime, respect the rules.
2. Never overreach your ability or organization. In other words, don't enter any new field until you are sure that you can effectively, efficiently, and profitably operate in it.
3. Avoid all attempts to secure profits from speculative efforts. That goes for both you and your borrowing customers.
4. Accept and apply the philosophy that every loan should be profitable to both the borrower and your bank. Thus you will reduce the cases wherein you cease to be a pledgee and become an owner.
5. Never lower your standards under pressure from unwise or irresponsible competition. If your competitor is taking away business by granting credit on terms which you have concluded involve undue risks, review your terms, then if your conclusions are unchanged, let him have the business—you cannot afford to do otherwise. Conversely, if business is coming to you because your standards are lower than those of your competition, it becomes imperative that you review your requirements. Again, if you are satisfied you are right, go ahead. But if you are taking long chances it may be your competitor who is the smart banker after all.
6. And finally continually strive to develop your personnel and pay them salaries commensurate with their responsibilities. You cannot grow any greater than the men and women who work with you and for you. After all, what you have to sell is service and they provide your commodity.

I hope none of you have assumed that all commercial banks have fallen into the many pits I have mentioned or that any one such bank has stumbled into all of them. Not at all. In fact most commercial banks are thoroughly familiar with all of them and avoiding them has become almost "second nature"—a reflex action seemingly controlled by instinct and requiring little if any conscious effort. Nor do I want to leave the impression that operating a commercial bank is like walking a high wire without any net—where one slip is fatal. The fact is, I was asked to discuss these obstructions in the road and have therefore not dwelt upon the long stretches of smooth concrete where most of our traveling is done. An average driver can handle the smooth stretches but it requires a good driver to successfully negotiate the rough places. And since many of you are traveling this road for the first time, while I have bumped along over it for 28 years, our trip has been primarily a study in detours, rather than a travelogue in pleasant places.

Contrasts Within Europe

(Continued from page 2080)

patience or great flexibility. I left my hotel in Prague yesterday bound for Warsaw, Poland. I had my plane ticket and reservation in my pocket. When one travels from one country to another in Europe today, one carries out as little currency as possible, for there are currency as well as custom controls at every border. You leave "packed up to go." In every sense, you have "checked out."

So I was ready for exit when I reached the airlines office early on Saturday morning. The plane was to take off only at 10 o'clock, but one always must be well beforehand, the airlines insist. At the airport at 9:15, after we had gone through customs, we were told that the departure for Warsaw would be delayed until 10:30 or 11:00 a.m. Then came word from the Czechoslovak airline, a government "enterprise" of course, that there would be no plane to Warsaw until Monday. I had a choice of going back to Prague and taking a chance on a Monday departure, or of waiting for the afternoon Swissair plane to Zurich, which fortunately had one unexpectedly cancelled seat. I chose the latter course, rather than "reenter" Czechoslovakia.

At the Prague Airport

During my several hours wait at the Prague airport an employee gave me the reason for the cancellation of the Warsaw flight. It had nothing to do with the weather, but with a shortage of planes. Something had happened to require slight repairs on another plane. This would have delayed a score of passengers bound for the Netherlands. Since there were only three passengers headed for war-mangled Warsaw, the Warsaw flight was cancelled at the very last moment. The three pasengers and the mail could wait.

Also indicative of conditions in Eastern Europe was my experience last week in travelling from Vienna to Prague. I had wanted to go from Vienna to Warsaw, but the American Army in Vienna knew of no way to go directly, either by plane or train. Vienna is an island in an area in the Russians' grip, and for ground travel—according to U. S. Army authorities—one needs a Russian road pass, which for Americans is either unobtainable or obtainable only after long delay. The American Army's official advice to me was to go to Warsaw from Prague.

This raised the question of how to reach Prague. One could normally fly, after a two-hour bus trip to the Vienna airport, Americans must use. The airport is about 18 miles away by shortest route, but the Russians make us use a 35-mile winding route as part of their program of trying to wear out American interest in Europe. In any case, when I wanted to go, all American flights over Czechoslovakia were suspended, due to "political" reasons (an international meeting?) This meant travel by surface means.

The Army advised me that the overnight train from Vienna to Prague was out of question for me, since I had no Russian road pass. There is another train from Vienna to Linz. It arrives at Linz at about 1:30 or 2:00 a.m., just in time to miss the connection with the Prague train. Therefore Americans using that route have to wait in Linz 23 painful hours in what passes for a third rate hotel, I was told. The Linz route, however, requires no Russian road pass.

An alternative means of reaching Prague — but an obvious effort to circumvent the Russians-road-pass system—is to go by bus from Vienna to Bratislava in Czechoslovakia, spend the night there, and next day take an early morning train to Prague. But the Army told me they could not be responsible if I went that way without a road pass, so I gave up that idea.

Here indeed was a dilemma. What I did was to follow a news correspondent's advice. Without a Russian road pass I bought a ticket at Wagon Lits for the sleeper to Vienna, I boarded the jammed night sleeper, and I arrived safely in Prague next day without ever meeting a Russian. After so much ado, this was really an anti-climax. But how could you count on it?

Flying from Prague to Zurich by Swissair was an unusual experience. As seems customary with European airlines, the plane took off with seemingly perfunctory, if any, testing of the motors; and it flew unusually low, especially over Switzerland, where our altitude above towns seemed only about 200 or 300 feet. One could see the upturned faces of people in the streets, high church steeples at St. Gallan and Gossan were virtually within "arm's reach," and outside towns as we flew low alongside the Swiss hills we could see farmers a few hundred feet away virtually at eye-level. It was like a cross-country ride in hedgehopping automobile on a sunny Swiss afternoon.

Red Rock Bottling Shares on Market

A public offering of 190,000 shares of common stock of Red Rock Bottling Co., of Youngstown was made Oct. 22 by Frank C. Moore & Co., and Euler & Co. The stock was priced at $1.50 a share. Proceeds from the offering will be used to pay off a $140,000 mortgage on the company's plant, machinery and equipment; purchase additional bottling equipment; build additions to the plant, and acquire new trucks. Upon completion of the financing 309,000 shares of common stock will be outstanding.

The company has exclusive franchises for bottling and selling Red Rock Cola, Clicquot Club Ginger Ale and Soda and Hep, a lithiated lemon drink, in six counties in Ohio and Pennsylvania with a population of approximately a million people. The territory includes such principal cities as Youngstown, Canton, Warren, Massillon, Alliance, Niles, Salem, East Liverpool and Lisbon in Ohio, and Sharon and Farrell in Pennsylvania. Beverages of The Purity Bottling Works, a 45-year-old concern in Warren, Ohio, acquired by Red Rock earlier this year, will continue to be bottled under the name of "Purity."

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks has been concluded by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $39,910,000 1% consolidated debentures dated Nov. 1, 1946, and due Aug. 1, 1947. The issue was placed at par. Of the proceeds $30,645,000 will be used to retire debentures, maturing Nov. 1, 1946, and $9,265,000 will be used for new money purposes. As of Nov. 1, 1946, the total amount of debentures outstanding will be $316,565,000.

Black-Clawson Company

HAMILTON, OHIO—The Black-Clawson Company is engaging in a securities business.

The Boom Is Here—What's Next?

(Continued from page 2072)

most exactly the same extent as they were by World War I. If all other things were equal, we would expect about the same degree of deflation as occurred in 1920-21. But other things are not equal. The government is committed by statute to support farm products prices at 90% of "parity" with the prices of things farmers buy. If such supports are successful, they will hold the inevitable deflation to about half that suffered 26 years ago. In the earlier era, moreover, farmers had greatly over-extended themselves creditwise. They (and their bankers) learned from that experience, with the result that farm mortgages have been reduced by almost $2 billions, since the war began and farmers are in the strongest financial position in their history. There won't be the wave of foreclosures and bank failures that accentuated the earlier deflation.

Finally, urban buying power, which plays an important part in determining farm prices, is unlikely to slide to the extent it did in 1920-21.

Farm Price Drop Imminent

The fact remains, however, that we face a severe drop in farm prices and farm income. Despite the supporting elements I have just mentioned, it could run as much as 20% to 25%. When you remember that close to one-sixth of the working population is on farms, this is not a prospect to be brushed lightly aside.

A third storm signal is to be found in the building field. Residential contract awards have already turned downward, partly because of high costs. Our investigations convince us that prices of new homes have advanced out of all proportion to the rise in legitimate materials prices and building wages. In part, this is due to excessive profits taken by builders and subcontractors; in part to the waste entailed in delays caused by shortages of materials, supplies and labor; in part to black market operators.

Once building materials are flowing more freely, perhaps by next summer, this situation will be largely corrected, and prices for new homes will come down sharply. Used houses will decline correspondingly; indeed, there is reason to believe that the peak of residential prices has already been passed. Moreover, many of those who have been forced to pay exorbitant prices will walk away from their mortgages when building costs shake down.

Regardless of the beneficial longer-range effects of this correction, its shorter term repercussions could be disturbing, unsettling the construction trend for a time.

It is difficult to measure the repercussions of the deflation we see ahead in these fields. Much will depend upon (1) the extent of further inflation of wages and, consequently, of finished goods prices within the next few months and (2) other labor developments in the near future.

Union Demands Crucial

The tip-off on the first may be provided by union demands on Chrysler and results of negotiations there. George Addes, Secretary-Treasurer of the UAW, said a few days ago, "This month we present our demands to the Chrysler Corporation and we shall fight for their realization with all the power and militance at our command." From all indications, too, Chrysler will be equally tough. The resulting atmosphere is far from reassuring.

If this should prove to be merely stage setting on both sides, we could take considerable encouragement. If the union demands are moderate and a reasonable settlement is arrived at soon, a favorable pattern will have been established for other important labor crises in the critical next six months.

The obvious signs, however, point to exorbitant demands on Chrysler, to an extended strike, and an unsatisfactory ultimate settlement, perhaps requiring a further increase in automobile prices to an extent that may shrink the demand for cars. Such a pattern would point to a repetition of the labor difficulties that slowed down our industrial machine so drastically in the early months of this year. Furthermore, it would mean that the dislocations already created which could conceivably be corrected in time by an increase in productive efficiency and relatively moderate deflation in certain fields, will be extended even further.

The Cross-road Before Us

In other words, we stand at a cross-road. The sensible path leads to a relatively painless correction of the excesses already committed. The other leads to a piling up of further excesses, and a strain of wage-cost-price relationships the correction of which would require a major economic readjustment. It would be a crying shame if the second path were chosen, but our faith in human nature has been worn so thin in recent years that we cannot disregard this possibility.

Assuming that organized labor takes the second road, how severe a decline is to be expected? The first consideration in arriving at any estimate must be that we are now producing at a greater rate than we are consuming. For July and August combined, roughly 7½% of total manufactures were added to inventories, largely of goods in process. True, inventories are still by no means excessive in relation to sales. The fact remains, nevertheless, that they are proceeding rapidly in that direction, that any important downturn in consumer buying would adversely alter the relationship with sales, and that the current excess of production over consumption is a phenomenon of peak prosperity. The mere adjustment of production to the current rate of consumption would cause a drop of more than 7% in productive activity. In view of the well-advertised large deferred demand for goods and similar large accumulated buying power, we would expect a drop in consumption to be small relative to similar drops in previous depressions. Assume for the moment that it is only 10%. That 10%, combined with say 7% representing the adjustment of production to present consumption would make a total of 17%.

However, economic trends almost always go to extremes. In all probability production would for a time fall below the reduced level of consumption. The huge inventories now existing would be eaten into. Assume that the sag of production below consumption should be 7%. That would point to a total drop of 24% in aggregate production of goods. The Federal Reserve Board's monthly index, now standing at 178, could bog down to 135—no mean drop. This is not advanced as a definite forecast, but seems to us to be well within the realm of possibility during the next year or two.

Wages on One-Way Street

Such a drop in industrial production would probably be translated into a somewhat smaller decline in national income. In the first place, it is extremely doubtful that wage rates can be reduced. Organization has made them flexible in only one direction—upward. Whatever decline takes place in wage income, therefore, must be largely the result of unemployment. Moreover, it must be realized that many industries and trades are still suffering from a labor shortage and will be more inclined to add employees than to drop them, for a time at least. Total wage payments, therefore, should decline less than industrial production.

Dividend and interest payments will probably go down relatively less, for corporations have generally been very conservative in their disbursements to stockholders. Entrepreneurial income, including that of farmers, will be off quite sharply. Undistributed profits of corporations may likewise shrink widely, but this is a relatively small item in the over-all picture. Our estimate is that a 24% drop in industrial production would be translated into a decline of only about 20% in national income, bringing that figure down to the neighborhood of $135 billions from the recent level of close to $170 billions. (These references are to annual rates rather than calendar year totals.)

Another widely used index of general prosperity is disposable income, which is the total of income payments less taxes. It is currently running at an annual rate of around $144 billions. The set of circumstances described above might bring it down to the neighborhood of $115 billions. Consumers' spending, recently at an annual rate of $122 billions, might well drop to $110 billions.

These figures still add up to a high level of activity relative to that which was known before the war, just as many economic measurements in 1921 were well above those of any year before World War I. Relative to the present, however, they look like hard times.

It would be a mistake to dwell too long upon the indicated difficulties ahead. They will serve a highly useful purpose, we believe. By bringing down the price of food and building, by halting the perennial demands of labor for benefits out of keeping with productivity, and by increasing productivity per man hour, they will set the stage for a secondary and more lasting postwar boom.

Returning Competition

Above all, we must prepare for two problems that have been almost wholly absent from our operations in recent years. The first is the return of competition and the second is the reappearance of business failures. Both will present challenges to you as credit men. The first means that you will have to exercise a fine degree of discrimination in refusing credits, for every such refusal will mean a loss of business to your firm at a time when every sale may count. The second means that an equally fine discrimination must be exercised in granting credits, for the risk of losses through bankruptcy will again be an extremely live one. After the last war business failures were very light through the middle of 1920, after which they rose from an average of around 500 a month to almost 2,500 in December, 1921. A repetition of this pattern lies ahead as the business enterprises now being formed meet the first severe tests of a competitive economy. Credit men will have to go back to work!

Kohlmeyer, Newburger To Admit Weil & Cahn

NEW ORLEANS, LA.—On Nov. 1, Walter H. Weil, Walter H. Weil, Jr., partners in Weil & Company, and Sam Cahn will be admitted to partnership in Kohlmeyer, Newburger & Co., Carondelet Building, members of the New York Stock Exchange.

It is understood that Charles Loeb, a partner in Weil & Co., will do business as an individual.

The UN's Struggle for Peace

(Continued from page 2073)

the United Nations as good neighbors and warm friends.

This meeting of the Assembly symbolizes the abandonment by the United States of a policy of isolation.

The overwhelming majority of the American people, regardless of party, support the United Nations.

They are resolved that the United States, to the full limit of its strength, shall contribute to the establishment and maintenance of a just and lasting peace among the nations of the world.

However, I must tell you that the American people are troubled by the failure of the Allied nations to make more progress in their common search for lasting peace.

UN Not Concerned with Postwar Problems

It is important to remember the intended place of the United Nations in moving toward this goal. The United Nations—as an organization—was *not* intended to settle the problems arising immediately out of the war. The United Nations *was* intended to provide the means of maintaining international peace in the future after just settlements have been made.

The settlement of these problems was deliberately consigned to negotiations among the Allies as distinguished from the United Nations. This was done in order to give the United Nations a better opportunity and a freer hand to carry out its long range task of providing peaceful means for the adjustment of future differences, some of which might arise out of the settlements made as a result of this war.

The United Nations cannot, however, fulfill adequately its own responsibilities until the peace settlements have been made and unless these settlements form a solid foundation upon which to build a permanent peace.

I submit that these settlements, and our search for everlasting peace, rest upon the four essential freedoms.

These are freedom of speech, freedom of religion, freedom from want, and freedom from fear. These are fundamental freedoms to which all the United Nations are pledged under the Charter.

To the attainment of these freedoms—everywhere in the world—through the friendly cooperation of all nations, the Government and people of the United States are dedicated.

The fourth freedom—freedom from fear—means, above all else, freedom from fear of war.

This freedom is attainable *now*.

Lately we have all heard talk about the possibility of another world war. Fears have been aroused all over the world.

War Fears Unjustified

These fears are unwarranted and unjustified.

However, rumors of war still find willing listeners in certain places. If these rumors are not checked they are sure to impede world recovery.

I have been reading reports from many parts of the world. These reports all agree on one major point—the people of every nation are sick of war. They know its agony and its futility. No responsible government can ignore this universal feeling.

The United States of America has no wish to make war, now or in the future, upon any people anywhere in the world. The heart of our foreign policy is a sincere desire for peace. This nation will work patiently for peace by every means consistent with self respect—and security. Another world war would shatter the hopes of mankind and completely destroy civilization as we know it.

I am sure that every delegate in this hall will join me in rejecting talk of war. No nation wants war. Every nation needs peace.

To avoid war and rumors and danger of war the peoples of all countries must not only cherish peace as an ideal but they must develop means of settling conflicts between nations in accordance with principles of law and justice.

The difficulty is that it is easier to get people to agree upon peace as an ideal than to agree upon principles of law and justice or to agree to subject their own acts to the collective judgment of mankind.

The Path to Agreement

But difficult as the task may be, the path along which agreement may be sought, with hope of success, is clearly defined.

In the first place, every member of the United Nations is legally and morally bound by the Charter to keep the peace. More specifically, every member is bound to refrain in its international relations from the threat, or use, of force against the territorial integrity or political independence of any state.

In the second place, I remind you that 23 members of the United Nations have bound themselves by the Charter of the Nuremberg Tribunal to the principal that planning, initiating or waging a war of aggression is a crime against humanity for which individuals as well as states shall be tried before the bar of international justice.

The basic principles upon which we are agreed go far, but not far enough, in removing fear of war from the world. There must be agreement upon a positive, constructive course of action as well.

The peoples of the world know that there can be no real peace unless it is peace with justice for all—justice for small nations and for large nations and justice for individuals without distinction as to race, creed or color—a peace that will advance, not retard, the attainment of the four freedoms.

We shall attain freedom from fear when every act of every nation, in its dealings with every other nation, brings closer to realization the other freedoms—freedom of speech, freedom of religion, and freedom from want. Along this path we can find justice for all, without distinction between the strong and the weak among nations, and without discrimination among individuals.

After the peace has been made, I am convinced that the United Nations can and will prevent war between nations and remove the fear of war that distracts the peoples of the world and interferes with their progress toward a better life.

The war has left many parts of the world in turmoil. Differences have arisen among the Allies. It will not help us to pretend that this is not the case. But it is not necessary to exaggerate the differences.

For my part, I believe there is no difference of interest that need stand in the way of settling these problems and settling them in accordance with the principles of the United Nations Charter. Above all, we must not permit differences in economic and social systems to stand in the way of peace, either now or in the future. To permit the United Nations to be broken into irreconcilable parts by different political philosophies would bring disaster to the world.

So far as Germany and Japan are concerned, the United States is resolved that neither shall again become a cause for war. We shall continue to seek agreement upon peace terms which ensure that both Germany and Japan remain disarmed, that Nazi influence in Germany be destroyed and that

the power of the war lords in Japan be eliminated forever.

The United States will continue to seek settlements arising from the war that are just to all states, large and small, that uphold the human rights and fundamental freedoms to which the Charter pledges all its members, and that do not contain the seeds of new conflicts.

A peace between the nations based on justice will make possible an early improvement in living conditions throughout the world and a quick recovery from the ravages of war. The world is crying for a just and durable peace with an intensity that must force its attainment at the earliest possible date.

Peace Settlements All-Important

If the members of the United Nations are to act together to remove the fear of war, the first requirement is for the Allied nations to reach agreement on the peace settlements.

Propaganda that promotes distrust and misunderstanding among the Allies will not help us. Agreements designed to remove the fear of war can be reached only by the cooperation of nations to respect the legitimate interests of all states and act as good neighbors toward each other.

Lasting agreements between Allies cannot be imposed by one nation nor can they be reached at the expense of the security, independence or integrity of any nation. There must be accommodation by all the Allied nations in which mutual adjustments of lesser national interests are made in order to serve the greater interest of all in peace, security and justice.

This Assembly can do much toward recreating the spirit of friendly cooperation and toward reaffirming those principles of the United Nations which must be applied to the peace settlements. It must also prepare and strengthen the United Nations for the tasks that lie ahead after the settlements have been made.

All member nations, large and small, are represented here as equals. Wisdom is not the monopoly of strength or size. Small nations can contribute equally with the large nations toward bringing constructive thought and wise judgment to bear upon the formation of collective policy.

This Assembly is the world's supreme deliberative body.

The highest obligation of this Assembly is to speak for all mankind in such a way as to promote the unity of all members in behalf of a peace that will be lasting because it is founded upon justice.

In seeking unity we should not be concerned about expressing differences freely. The United States believes that this Assembly should demonstrate the importance of freedom of speech to the cause of peace. I do not share the view of any who are fearful of the effects of free and frank discussion in the United Nations.

The United States attaches great importance to the principle of free discussion in this Assembly and in the Security Council. The free and direct exchange of arguments and information promotes understanding and therefore contributes in the long run to the removal of the fear of war and some of the causes of war.

The United States believes that the rule of unanimous accord among the five permanent members of the Security Council imposes upon these members a special obligation. This obligation is to seek and reach agreements that will enable them and the Security Council to fulfill the responsibilities they have assumed under the Charter toward their fellow members of the United Nations and toward the maintenance of peace.

It is essential to the future of the United Nations that the members should use the Council as a means for promoting settlement of disputes as well as for airing them. The exercise of neither veto rights nor majority rights can make peace secure. There is no substitute for agreements that are universally acceptable because they are just to all concerned. The Security Council is intended to promote that kind of agreement and it is fully qualified for that purpose.

Because it is able to function continuously, the Security Council represents a most significant development in international relations—the continuing application of the public and peaceful methods of a council chamber to the settlement of disputes between nations.

Removing War Fear

Two of the greatest obligations undertaken by the United Nations toward the removal of the fear of war remain to be fulfilled.

First, we must reach an agreement establishing international controls of atomic energy that will ensure its use for peaceful purposes only, in accordance with the Assembly's unanimous resolution of last winter.

Second, we must reach agreements that will remove the deadly fear of other weapons of mass destruction, in accordance with the same resolution.

Each of these obligations is going to be difficult to fulfill. Their fulfillment will require the utmost in perseverance and good faith, and we cannot succeeed without setting fundamental precedents in the law of nations. Each will be worth everything in perseverance and good faith that we can give to it. The future safety of the United Nations, and of every member nation, depends upon the outcome.

On behalf of the United States I can say we are not discouraged. We shall continue to seek agreement by every possible means.

At the same time we shall also press for preparation of agreements in order that the Security Council may have at its disposal peace forces adequate to prevent acts of aggression.

The United Nations will not be able to remove the fear of war from the world unless substantial progress can be made in the next few years toward the realization of another of the four freedoms—freedom from want.

The Charter pledges the members of the United Nations to work together toward this end. The structure of the United Nations in this field is now nearing completion, this Economic and Social Council, its commissions and related specialized agencies. It provides more complete and effective institutions through which to work than the world has ever had before.

A great opportunity lies before us.

In these constructive tasks which concern directly the lives and welfare of human beings throughout the world, humanity and self-interest alike demand of all of us the fullest cooperation.

Need for Economic Reconstruction

The United States has already demonstrated in many ways its grave concern about economic reconstruction that will repair the damage done by war.

We have participated actively in every measure taken by the United Nations toward this end. We have in addition taken such separate national action as the granting of large loans and credits and renewal of our reciprocal trade-agreements program.

Through the establishment of the Food and Agriculture Organization, the International Bank for Reconstruction and Development and the International Monetary Fund, members of the United Nations have proved their capacity for constructive cooperation toward common economic objectives. In addition, the International Labor Organization is being brought into relationship with the United Nations.

Now we must complete the structure. The United States attaches the highest importance to the creation of the International Trade Organization now being discussed in London by a Peparatory Committee.

This country wants to see, not only the rapid restoration of devastated areas, but the industrial and agricultural progress of the less well-developed areas of the world.

We believe that all nations should be able to develop a healthy economic life of their own. We believe that all peoples should be able to reap the benefits of their own labor and of their own natural resources.

There are immense possibilities in many parts of the world for industrial development and agricultural modernization.

These possibilities can be realized only by the cooperation of members of the United Nations, helping each other on a basis of equal rights.

In the field of social reconstruction and advancement the completion of the Charter for a World Health Organization is an important step forward.

The Assembly now has before it for adoption the constitution of another specialized agency in this field—the International Refugee Organization. It is essential that this Organization be created in time to take over from UNRRA as early as possible in the new year the tasks of caring for and repatriating or resettling the refugees and displaced persons of Europe. There will be similar tasks, of great magnitude, in the Far East.

The United States considers this a matter of great urgency in the cause of restoring peace and in the cause of humanity itself.

I intend to urge the Congress of the United States to authorize this country to do its full part, both in financial support of the International Refugee Organization and in joining with other nations to receive those refugees who do not wish to return to their former homes for reasons of political or religious belief.

Free Flow of Information Needed

The United States believes a concerted effort must be made to break down the barriers to a free flow of information among the nations of the world.

We regard freedom of expression and freedom to receive information—the right of the people to know—as among the most important of those human rights and fundamental freedoms to which we are pledged under the United Nations Charter.

The United Nations Educational, Scientific and Cultural Organization, which is meeting in November, is a recognition of this fact. That organization is built upon the premise that since wars begin in the minds of men, the defense of peace must be constructed in the minds of men, and that a free exchange of ideas and knowledge among peoples is necessary to this task. The United States therefore attaches great importance to all activities designed to break down barriers to mutual understanding and to wider tolerance.

The United States will support the United Nations with all the resources that we possess.

The use of force or the threat of force anywhere in the world to break the peace is of direct concern to the American people.

The course of history has made us one of the stronger nations of the world. It has therefore placed upon us special responsibilities to conserve our strength and to use it rightly in a world so interdependent as our world today.

The American people recognize these special responsibilities. We shall do our best to meet them, both in the making of the peace settlements and in the fulfillment of the long-range tasks of the United Nations.

The American people look upon the United Nations not as a temporary expedient but as a permanent partnership—a partnership among the peoples of the world for their common peace and common well-being.

It must be the determined purpose of all of us to see that the United Nations lives and grows in the minds and the hearts of all peoples.

May Almighty God, in His infinite wisdom and mercy, guide us and sustain us as we seek to bring peace everlasting to the world.

With His help we shall succeed.

Why Our Standard Of Living Is Highest

(Continued from page 2074)

Yet even those countries to the south have, by and large, an average living scale no better than, or even below, that which normally exists in Europe.

These observations are made not with feelings of condescension or selfish satisfaction but rather with curiosity as to why the people who inhabit the United States are in such a fortunate situation. By "standard of living" is meant the quantity of consumer goods—food, shoes, shirts, dresses, soap, gasoline, electricity—used per capita annually.

It is clear that Americans receive every year a per capita quantity of consumer goods far above that obtained by any other large group. It is hardly to be wondered that the common man elsewhere thinks of the United States as a place of fantastic riches, or that immigration here has been the goal of generations of ambitious, adventuresome folk from other lands.

Emphasis upon the high level of our national wealth does not mean we do not recognize that there are people in our country who do *not have satisfactory* living standards. It is common knowledge that in the slums of our large cities, in some industrial towns, and on farms in submarginal regions, there are many who do not have proper diets, medical services, or educational facilities. To improve the lot of these people is one of the chief challenges to our republican form of government and to our competitive form of economy.

Similarly, the figures cited do not mean that there are not considerable numbers of individuals in foreign countries *who have very high standards* of living. For instance, not long ago I drove through several streets in one of the best residential sections of a large South American city. It is a beautiful city, and I have never seen finer homes than I saw on that drive. They were houses such as you would find in very few parts of the United States. Many of them had four-car and five-car garages. But while a fraction of 1% of the people in such cities abroad may live in beautiful homes, as much as 90% is likely to live in hovels. The usual pattern is one of a very wealthy but very small group at the top of a pyramid whose base is a multitude living in what would be poverty by our standards.

In those countries, as in our own, the extremely wealthy constitute a very small fraction of the total population. Below this relatively small wealthy class, however, the pattern differs greatly between the United States and other nations. Here the great *majority* of people are in a middle economic class which has a very comfortable, yes, even high, living standard. Nearly everywhere abroad the widespread distribution of necessities and small luxuries which marks our economy is conspicuously lacking.

Higher Living Standards Not Due to Natural Resources

While precise figures are not readily available on a worldwide scale, there are sufficient statistics to provide revealing indices of the comfort and well-being of the American people as compared with other nations. Let us look at a few.

Only 6% of the world's population lives in the United States. Yet these people use up 72% of all the automobiles made in the world, 42% of the radios, 54% of the refrigerators. In normal times we consume 65% of the world's silk, 35% of the wool, 22% of the cotton. We use 52% of the coffee, half or more of the rubber, 35% of all the leather tanned in the world, and one-third of all the soap. Percentages of a similar order of magnitude pertain to nearly all the materials which humans need for health and enjoyment of life.

In seeking an explanation for the American living standard, the reasons one commonly hears advanced, especially by foreigners, come to mind. It is pointed out, for example, that the United States has a large population, and that this means a large working force. Now it is true that in point of population this is one of the world's big nations. But, as mentioned, our population constitutes only 6% of the total world population and yet we use a far larger percentage than that of the world's output of major consumer goods. Further, the two countries with the largest populations, China and India, are those where the masses of people exist at a bare subsistence level and where, at not infrequent intervals, thousands upon thousands die of hunger.

Another premise advanced to explain our living standard is the extent of our country—the amount of land area. Again it is true that in this respect we are one of the large countries. However, the United States, including the territories and possessions, actually comprises but 7% of the total world land area. This figure corresponds closely to our 6% of world population, so that we would seem to have no more than an equitable share of land. Of course, such a comparison disregards factors of fertility, accessibility and climate. Nevertheless, the extent of our land, and even the relation between it and the number of inhabitants, does not seem an adequate explanation for our well-being. Some of the countries where I have recently been have wide lands and a density of population less than ours. At the other extreme, Belgium is a country which has little land and is densely populated. In both instances the living standard is markedly lower than ours.

So although size of population and of land area may be factors in accounting for our living standard, they are not of fundamental importance.

Perhaps the most widespread misconception as to the basis of the American living standard is the belief that our country has been exceptionally endowed with natural resources. We do, in fact, have many natural resources, but let us examine a few to see how we compare in this respect with the rest of the world.

Of the total amount of potential water-power for generation of electricity in the world, 5% is available within our borders. On the basis of our proportionate land

(Continued on page 2116)

Why Our Standard Of Living Is Highest

(Continued from page 2115)

area and population, this is a little less than what might be regarded as "our share." From America's trees comes 7% of the world total of forest products—just about our share and no more.

There are many essential raw materials of which our country has no indigenous supply at all, or only a small one. We have little or no natural rubber, tin, nickle, manganese, mercury, cobalt, industrial diamonds, or quartz crystals for electronic equipment. All these are vital to an industrial civilization. Our indigenous supply of lead, copper, chromium, uranium, linseed oil, bauxite, and a host of other essentials are low in proportion to our use of these materials.

In this connection it is interesting to observe that Professor Erich W. Zimmermann, of the University of Texas, speaks of iron deposits, coal veins, underground oil, etc., as "neutral stuff," and terms them "natural resources" only after human effort and skill have been applied.

We have about 35% of the world's proved oil reserves and 50% of the known coal reserves. Estimates of the volume of iron ore lying in American earth vary from 25 to 50% of the world's store. These figures appear to support the idea that we have been highly blessed by nature. But it must be remembered that the existence and extent of mineral resources in any location can be determined only by wide and persistent exploration. So the figures on the proportion of these resources situated in the United States probably reflect not so much that we have more of these materials than other people as that we have been more energetic in seeking and developing them. This interpretation is supported by the fact that although the United States has only one-eighth of the world's land area geologically favorable for the occurrence of petroleum, we have discovered about two-thirds of all the oil found in the world to date. This is simply because any person in our country can win the rewards of finding oil, so there are more Americans looking for oil than there are in other nations. If the rest of the world were explored as intensively for mineral wealth as the United States has been, it is likely that our proportion of reserves would decline percentagewise.

It is impossible to attribute the American standard of living to a superabundance of natural resources. In fact, if the mere presence of natural raw materials in a country were enough to assure to its people a plentiful supply of goods made from those materials, a country like Brazil would have more automobiles than any other. For an automobile is built largely of steel, that means iron ore and coal. In the course of a normal life of eight years it consumes 16 times its weight in gasoline; that means petroleum. On the average, an automobile requires about 30 pounds of rubber per year. Brazil has some coal, and their iron ore deposits are among the richest in the world. It has considerable areas favorable for the presence of oil. It is the original home of natural rubber. Yet Brazil has one car per 342 persons, while the United States has one per five persons. Further, all Brazil's autos are imported. Some are assembled, but none is actually manufactured within the country. Like Brazil, the Dutch East Indies are rich in petroleum and rubber and have some iron ore. But there are few autos there, and none is made locally.

Considering natural raw materials from another standpoint, if it is maintained that they are the primary basis of a plentiful production of consumer goods, how can we account for the fact that the United States, which must import virtually all its tin, turns out 85% of all the food in the world preserved in tin cans, or that well over half of all the tires in the world are American-made although there is not a single rubber-tree plantation within our borders?

Profitable Use of Resources

Possession of abundant natural raw materials can no doubt contribute importantly to the achievement of a satisfactory living standard, but any hypothesis that it is the determining factor is clearly not tenable.

What then is the unique element of the American economy? What is a more adequate explanation than any of these others for the wealth that has been made available to the masses of our people?

These were questions that kept arising in my mind as I traveled and talked with people abroad. It seems to me that the answer lies in something less obvious than size of population, area of land, or the presence of natural resources. I believe it is an intangible, but none the less real, quality of the economic system we have developed.

In considering in detail how business is conducted in the United States, and comparing other business patterns with our own, a characteristic of the American system, of vital significance, becomes evident. This characteristic is *competition*—and competition of a very special kind.

Now it is true that in most other countries there is competition, of a sort, in business. But it is most certainly not the American brand. What makes American competition different is that it is *complete* and far-reaching and, what is most important, it has been developed in conjunction with a code of fair-play.

Here in America competition is complete, that is, there is competition at all levels and from all directions. Geographic areas, industries, corporations, new inventions and people, all compete one with another.

Here, the South competes with the North in the manufacture of cotton textiles. The West competes with the East in shoes. If Missouri can make and distribute shoes which are as good as those made in New England but are lower in price, that is to the benefit of the general public. Missouri will take part of New England's shoe business, New England will have to develop some other activity to fill the gap, and the resulting diversification will no doubt be ultimately to her good.

Here also we have industry competing with industry. Oil competes vigorously with coal as a fuel. In response, the coal industry has set up a research organization which is working on such developments as a gas turbine locomotive that burns powdered coal, a smokeless household stove to use bituminous coal of even the poorer grades, and a new fully automatic stoker for home heating. It is fair to wonder whether that research group would have been set up if the coal industry had not felt the pressure of competing forms of fuel.

Many of us have witnessed the growth of transportation by bus and private auto all but eliminate the electric street car. Today we see the airlines competing with the railroads, and we see the railroads, in turn, speed up their schedules and introduce new conveniences for travelers to meet this competition.

Tomorrow atomic power may compete with oil as an energy source. But the oil industry, which is most active in scientific research, is not in despair. It believes that ample opportunity will be found for the use of all energy sources and that, even if the atom should supplant petroleum in some cases, it will be entirely possible to find new and useful employment for the oil thus displaced.

In American corporations most of the people in top positions got there by virtue of selection in competition with other individuals. Few of them started out at the top or were born into their jobs. They have had to sharpen their abilities in contest and have had to prove their capacities. The former board chairman of Jersey Standard, recently retired, began his working career in a pumping station of an oil pipeline company where his duties included sweeping the station floor.

The N. W. Ayer & Son advertising agency recently conducted a survey to learn the starting salaries of the top executives of 50 of the largest businesses in the United States. The average for the 1943 men surveyed was $13.40 a week. Only seven had started at more than $25 weekly.

In Europe a man who starts fairly low in a business organization and ends up as a chief executive is referred to with something akin to amazement. In this country such a career occasions little comment because it is the pattern—not the exception.

Competition Coupled with Fair Play

I have said that American competition is exceptional not only because it reaches throughout all levels and cross-sections of American industry but also because it is *coupled with fair-play*. Critics of the competitive system, both here and abroad, often overlook this fact. They tend to regard the competitive system as a carryover into civilized society of the law of the jungle, as a conflict which admits no rules and in which only the very strongest and most ruthless survive. Obviously, if people are going to live together in an orderly, productive, happy society, such conditions cannot be allowed to exist among business units any more than we can allow competition among individuals to be settled with knife and pistol.

Any idea that American business competition is a claw-and-fang proposition is a misconception. There are, of course, exceptions to this generality just as there are exceptions to the general rule of forbearance and politeness in social life. But the person who violates the conventions of personal behavior soon finds himself under the strong pressure of community disapproval, and no business organization can with impunity gain a reputation for cheating or gouging.

American competition is tough, but it is not without rules.

Most of these rules are unwritten, tacitly recognized ones. But a number of broad principles have been framed in law or otherwise formally established. For example, the American conviction that competition is a good thing finds expression in the Sherman and Clayton anti-trust acts. Although our businessmen sometimes complain loudly about these laws, I believe this occurs because of their ambiguities or when they feel that the laws are being unfairly interpreted or administered and does not arise from any disapproval of the laws themselves. The Federal Trade Commission Act and the Robinson-Patman Act are other instances of rules of fair play in our system.

The spirit of sportsmanship in our competition was illustrated by a recent newspaper report about a nurseryman in New Jersey whose plot was swept by fire. To obtain salable stock again from seedlings would have taken eight years. But his competitors appeared one day with $2,500 worth of young trees which they set out with their own equipment to put him back in business at once.

When it seemed to me that the nature of our competition might be the really distinguishing feature of American production and distribution, I mentioned it to various persons I met in my travels. And frequently, while admitting that they do not practice the American kind of competition, they would say, "but we tried that and it didn't work, so we felt obliged to modify competition and put certain restrictions on it." When I talked with them about what they had done previously, it was evident that they had actually never known the American system.

In all the countries I visited in Europe and South America, trade—especially in its competitive aspects—tends to be regulated not only in broad principle, as it is in this country, but in detail. Regulation is framed and exercised by governments, by trade associations and cartels, or by governments and trade associations in collaboration. Let me cite some examples.

As an illustration, suppose a corporation wishes to put out a new line of goods or a young man wishes to open a shop of some kind for retail merchandising to the public. In several European countries neither would be allowed to do so unless they could prove they had operated such a business previously, in the same territory.

If the young man could not furnish such proof, his shop would have to be operated by someone else who had previously operated a similar shop. Failing these requirements, he could not go into this particular business in this particular territory. Vested interests are not confined to "big" business. Throughout the industrial fabric the division of existing business is of greater importance than the creating of new opportunity.

Producers, wholesalers and retailers of a given product may be banded together in an association. If a merchant attempts to open a business without joining the association, he will soon go bankrupt for lack of wares to sell since the cartel will not deal with a nonmember. And the gates of such "trade association" membership are often closely guarded.

The British Situation

The London "Economist" referred recently to the hampering effects of this philosophy as it affects British business. It said:

"It is difficult to deny that there is a sluggishness about British actions, public and private, that does not exist elsewhere. . . . There is no active discontent, but also no sparkle or enthusiasm. . . . There is a conspiracy of labor, capital and the state to deny enterprise its reward. . . . The embattled trade association movement has (put) any attempt to reduce costs and prices by greater skill or enterprise under the ban of 'destructive competition.' The industrialist who discovers a way of making better things more cheaply (which is what he is sent on earth to do) is deprived by the state of all pecuniary return and by his own colleagues of any social reward. . . .

"The same process has been applied to the wage earner as well. . . . The whole effect of the growth in strength of the trade union movement—indeed, one can say its deliberate intention—has been to divorce the worker's income from any dependence on the efforts he makes. . . .

"The growth of trade associations, of price-fixing and market-sharing devices—the whole apparatus of protection, in fact—is inspired by nothing so much as by the desire to prevent the bankruptcy of the inefficient—even if, thereby, the progress of the efficient is also impeded. . . . In a competitive economy, such as the American, when one firm acquires a more efficient machine and cuts prices, all others are compelled to follow suit, whether they can 'afford' to or not. . . .

"Britain finds herself today between two great competitors, both of whom, in their different ways, keep a sharp edge on the motives that lead to action."

Again, while in South America, I encountered a somewhat different sort of trade restriction. This affected businesses already in existence and possibly wishing to expand their service to the public. It was suggested to one of our affiliates there that they could increase the revenue from their service stations by selling cold drinks to patrons waiting for their cars to be serviced. This was found to be impossible, since all soft-drink licenses in the areas where service stations operated had been distributed to others. The existing soft-drink merchants had in effect purchased the right to do business in the area and at the same time had acquired a protection against competition. When it was further suggested that the drinks might be *given away* as an extra feature of the stations' service, we were informed this also would be impossible. Giving away the drinks would be interpreted as lowering the price of gasoline to the customer, and prices in that country were fixed by the government.

Such restrictive practices amount to birth control in business. They do not allow a large number of new businesses to come into being and then allow the public by their patronage decide which shall survive. Control is taken away from the public and placed in the hands of a small group or with the government. The effect can hardly be to put people who are already in business on their mettle.

And what is the result of the complete but fair competition that American business practices—the system in which one of the cardinal principles is that there should be as few obstacles as possible to the starting of new enterprises or the expansion of existing ones? The result is that many people do start businesses, from the small bakeries, hardware stores and newsstands up to great factories and department stores. And since the system leaves it to the free choice of the public to decide which enterprises shall prosper, and how much they shall prosper, there are powerful incentives to business to improve products and services and to keep prices down.

Competition in Oil Industry

The oil industry, with which I am particularly familiar, is especially competitive. Each one of scores of companies is striving to develop new business and to hold it. As a result of such effort, the price of gasoline has declined from about 30 cents a gallon in 1920 to less than 15 cents currently, exclusive of taxes. And in the meantime quality and service to the public has steadily gone up. Quality as measured on the octane scale for example, has gone up since 1928 (while price was falling), from about 60 to 78. Authorities have estimated that this quality improvement alone has saved the American public hundreds of millions of dollars through improved engine performance.

By contrast, in one South American country, where the petroleum business is under government monopoly, gasoline retails at the equivalent of 55 cents per gallon including tax. In any part of the United States similar grades would sell for 15 to 20 cents a gallon.

A further consequence of our system is that it puts a premium upon efficiency, which leads to low prices and high wages, which in turn mean that more people

can buy the great quantities of goods we turn out.

In the United States, not only are money wages high but real wages are also higher than anywhere else. The average American factory worker can buy a pair of work shoes with the wages of three and one-half hours of work, whereas the English worker has to labor nine hours to make enough to buy a pair of work shoes and in Italy a man must put in 24 hours of work for a pair of shoes.

In the United States it takes one work-hour to make a cotton shirt. It takes four hours in Great Britain and nine and one-half in pre-war Germany. Sixty work-hours go into an average radio made in a United States factory; 171 in Great Britain; 262 in Sweden.

At present, Russian workers turn out on the average only a fraction of the work produced by American laborers. A U. S. coal miner, using American methods and machinery, produces more than seven times as much coal as a Russian miner in a given period of time. An American farmer, using American power-driven equipment, produces four and a half times more than a Russian farmer, an American steel worker produces as much steel as three Russians.

In one city I visited abroad, the driver of a tank-truck for transporting petroleum products receives a wage of about $45 per month. Wages for tank-truck drivers in New York City are about $275 month. Yet despite this higher wage-rate, the cost of selling, distribution and collection of payment for products from terminal to customer is about 1.75 cents per gallon in New York as compared with 3.25 cents in the European city. Naturally the wage-earner can be paid more when efficiency thus reduces the unit-cost of operation. There is no secret about this efficiency; it is not a guarded formula. The methods used in the United States are available to businessmen elsewhere. But here competition forces business constantly to seek better and better methods and to develop machines by which the efforts of the individual workers become more productive.

What Free Enterprise Has Accomplished

In these days of accelerated social change, of the stresses arising from such change, and of propaganda and emotion-charged statements for or against different political and economic ideologies, it is important that Americans have a clear appreciation of the accomplishments of our system and of what makes it go. This is not to say that our system is perfect as it operates today. But unless all of us understand where its essential vitality lies, in attempting to improve it we may inadvertently impair that vitality seriously.

And there is more involved in the American system than material well-being. The economic aspect of human living is so interwoven with all the other aspects that limitations of fundamental liberty in one realm leads to limitations in the other realms. It is no more coincidence that our method of doing business has developed in a land devoted to ideals of personal liberty, or that the totalitarian systems of fascism and communism not only restrict or prohibit competitive business but also restrict or eliminate other liberties. In all history, there has not been any important society in which there was freedom of worship and freedom of speech but not economic freedom. Whether economic liberty grows out of political liberty or the other way around seems beside the point. What is important is that they appear always to co-exist.

For, as has been said, "Our way of living together in America is a strong but delicate fabric. It is made up of many threads. It has been woven over many centuries by the patience and sacrifice of countless liberty-loving men and women. It serves as a cloak for the protection of poor and rich, of black and white, of Jew and Gentile, of foreign and native born. Let us not tear it asunder, for no man knows, once it is destroyed, where or when man will find its protective warmth again."

"No Grounds For Further Stock Liquidation"

(Continued from page 2076)

rapid rise in stock prices was a natural result.

Organized labor was, however, quick to sense the situation and, greatly encouraged by the Government, filed and gained wage demands that narrowed profit margins by raising costs against fairly rigid price ceilings; and when it was apparent that the Government was considering price control via profit control in the early part of this year the market experienced the sharp February decline.

Then OPA with only a few months to run before termination became far more liberal in interpreting statutes and lifted prices with the result that potential margins widened and stock prices went to new highs.

Then came the hectic summer with OPA prospects shifting rapidly between expiration and continuation; and when OPA finally went back on the books to be promptly followed by recontrol and rolled-back prices the market straightway broke.

Monetary Controls

A contributing factor to the decline of stock prices was the success of the efforts of the monetary authorities to restrict credit and tighten money rates in the name of inflation control. Since the first of the year a total of $17 billion of debt has been retired; $2 billion of certificates were retired on Sept. 1st, $2 billion more on Oct. 1st and another $2 billion will be retired on Nov. 1st.

Excess member bank reserves came down from $1.5 billion to less than $0.5 billion in the first half of the year (they are now back to $1 billion); Reserve Bank credit fell from above $25 billion to less than $23 billion (now back to $24 billion); high grade bonds came off about five points from March to September; acceptance rates increased; commercial paper rates were thrice increased in July, September and recently.

The effect upon the stock market was direct and indirect—indirect in the sense that the upward adjustment of long-term interest rates called for some adjustment in stock yields and direct in the sense that the monetary policies caused bank liquidation of securities.

But now market prices appear well adjusted to the changes that have occurred. Industrial stock yields have widened from close to 3% to more than 4% and overall dividend payments are increasing. After a typical four weeks of panicky liquidation prices stabilized and the intensity of liquidation steadily declined after Sept. 3rd. Some dividend reduction and cuts in the period ahead may occur, but these are unlikely to be general and the overall trend of payments is likely to be upward for a further period of months. Estimates of 1947 earnings may have been exaggerated earlier this year, but current projections of 1947 prospects may prove overly pessimistic.

It seems reasonable to believe that the Federal Reserve Board Index of Production may experience a further rise of 10 to 15 points up close to the 200 level over the next several months and thereafter to have some decline into next summer, but it does not follow at all that any general collapse of productive activity is in the making.

A decline in agricultural commodity prices, a return to competitive conditions and elimination of price and wage controls are not reasons for apprehension, but rather solid reasons for a hopeful attitude. We will probably read announcements by more corporations of postponements of expansion plans and reductions of schedules better to fit current conditions, but here, too, such developments scarcely deserve bearish interpretation since they will be decisions contributing to profitable operations.

Group Distinctions

Elimination of controls does not mean that all corporations and all industries will show profitable operations. In many fields materials may continue too scarce and impediments to uninterrupted operations too great to permit of early highly prosperous operations. It is to be recalled, however, that in most periods of prosperity a large number of industries and companies fail to participate.

Probably the groups with the surest earnings prospects over the near term period are the commodity and raw material stocks—such groups as chemicals, oils paper, building materials, rubbers and steels. The manufacturing and assembling companies have large potential earnings, but a further period may elapse before these companies can produce in the continuous fashion necessary to large scale profits. A high level of public purchasing power should sustain the operations and earnings of such groups as retail trade, movies and liquors and these could experience worthwhile advances, but the rate and degree of improvement does not appear as convincing or impressive as in the case of the raw material groups.

Depression Not in Sight

Apart from the favorable connotations of elimination of most governmental controls, an important reason for avoiding pessimism is the virtual certainty that materially lower stock prices will not be witnessed until and unless the economy becomes so strained at some point as to require major and necessitous liquidation. To date, in the banking situation, in inventories, in the evolving price structure and in the labor situation, reasons are lacking for believing that such a major readjustment must take place. We may face such a juncture some time next year, but it does not appear yet to have arrived.

An important factor may be the policies of the fiscal authorities. If these continue to exert a deflationary effect upon the economy they could conceivably exert enough influence to bring about a real spiral of deflation, but here is another another bridge that does not yet require crossing. Government bond prices have been rising for the past four weeks and the available data suggest no present reason for apprehension on the fiscal score.

The decline in agricultural commodity prices must be construed as broadly favorable rather than unfavorable. Lower agricultural commodity prices will reduce raw material costs for industry and reduce living costs for workers and there seems slight reason for concern over the purchasing power of farmers after the large earnings and accumulated savings of the rural population during recent years.

Higher Prices Likely

For a considerable preiod it has looked as though late 1947 would be about the earliest one could expect the beginning of the real period of post-war reconstruction and prosperity and that view still holds.

Whether or not stock prices will, in their dynamic fluctuations, which will probably continue, get down to or below recent levels prior to that time will depend upon interim events, but certainly at the moment the present levels of prices, dividend payments and earnings and the outlook over a period of months combine to suggest that the lows recently witnessed may not soon be violated, that the next major movement of the market will be upward and that this movement might continue at least through the first quarter of next year.

Among stocks believed to offer good value in the current market are the following:

Stock—	Recent Price
Allegheny Ludlum Steel	44
American Rolling Mill	34⅛
Archer-Daniels-Midland	33⅜
Bethlehem Steel	95
Corn Products Refining	66
Dow Chemical	162¾
Goodrich Tire & Rubber	59⅞
Gulf Oil	67⅛
Hudson Bay Mining & Smelting	35
International Paper	42¾
Kennecott Copper	46¼
Minnesota Mining & Mfg.	47⅛
Monsanto Chemical	48
Phelps Dodge	36
Pittsburgh Plate Glass	38⅛
Standard Oil (N. J.)	69¾
Standard Oil of Cal.	55⅜
Texas Gulf Sulphur	51
Union Carbide & Carbon	92⅝
U. S. Gypsum	108
U. S. Plywood	58⅛
U. S. Rubber	57¾
U. S. Steel	70⅜
Youngstown Sheet & Tube	66⅛

Underwriters Agree With SEC It Should Be Easy for Investors to Get Data on New Issues

(Continued from page 2073)

the longer prospectus itself for such additional data as he wanted. The reason I wouldn't rely on the synopsis alone is that every investor is looking for some special piece of information which might not always be covered by the synopsis.

Comment No. 2

We have not yet formulated a definite reply to Mr. Caffrey's general proposal. We think that what he suggests is a step in the right direction, however. We heartily approve of any move that will help the investor to get information about new issues in advance of actual effective date. We wonder, though, whether Mr. Caffrey's proposal would be of much help in that direction. We wonder, too, whether the law wouldn't have to be changed. Our thinking is not clear on all points yet and our lawyers are helping us to study the proposition.

Comment No. 3

Mr. Caffrey's proposal concerning the alleged desirability of the broader use of the red-herring prospectus is not very practical. It takes at least ten days to get the SEC's first letter of comment, sometimes 18 days, and without the comment no red-herring prospectus can be issued. Often, too, questions arise which require not just one but two or more answers from the SEC. Firms would hesitate to make red-herring prospectuses available to their customers if there were any such unsettled questions.

It would be a different story, of course, if a firm could issue a red-herring prospectus two or three days after registration. If an underwriter could get a verbal approval from the SEC in advance of receipt of the more formal letter of comment, valuable time would be saved and Mr. Caffrey's suggestion might then become a real possibility. A red-herring prospectus would then really get out in time for an investor to read it before buying.

The synopsis idea is more practical, I think. The average individual investor would be more likely to read the synopsis. But here again, delay in receiving the SEC's first letter of comment and the necessity of clearing up unsettled questions would remove any advantage that would be gained by its use as proposed.

It undoubtedly was the intent of Congress to give the investor the chance to find out something about a new issue during the waiting period and study should be given to ways and means by which investors might be given this opportunity. There is no doubt the SEC is showing a cooperative attitude and, so far as the underwriting industry is concerned, this is a good sign. I wonder, however, whether it would be legal for the SEC to carry out Mr. Caffrey's plan without first changing the law.

Comment No. 4

The proposal is a step in the right direction but it does not go far enough. A reliable firm, feeling it is responsible for any statement it issues, would hesitate to distribute any prospectus without first clearing up all points of doubt. Underwriters would have to be relieved of all responsibility for the statements made in the red-herring prospectus before there could be any general acceptance of Mr. Caffrey's plan. It would be just too easy for an agent of the SEC some years after a new issue was floated to hold some underwriting firm accountable for such incorrect data as could appear in the red-herring prospectus that Mr. Caffrey would permit the industry issue. Something very much like the synopsis Mr. Ceffrey talks about is greatly needed, too. Investors should have the chance to obtain information about coming new issues quickly and easily and the synopsis would give them this chance.

Comment No. 5

Incorporated in the SEC rules covering underwriting procedures should be a provision enabling investment bankers to take the initiative themselves in putting red-herring prospectuses in the hands of prospective purchases of new issues during the twenty-day waiting period prior to the effective date and, as long as the question of the red-herring prospectus is being reopened at this time, I certainly think the SEC should give some consideration to this particular angle of the problem. Mr. Caffrey understands the underwriting business, I believe, and I do think he is trying to be helpful. To my mind, permitting underwriters to distribute red-herring prospectuses to their customers immediately following their publication would only aid the SEC to accomplish its avowed objective in the matter—the education of the possible investor.

Comment No. 6

I agree with the SEC that every effort should be made to get information about a new issue out to the investor sooner than twelve hours before he is asked to buy. There is no reason why—if the original red-herring is prepared with sufficient care — it can't speedily be made available to prospective buyers. The original draft of the red-herring prospectus would mean more to the underwriting firm if it knew in advance that the material the prospectus contained would be the information that would most likely go out to the investing public. But I agree with those who who think that speed would be assured in getting vital information about new issues out to the investors if the SEC were to give a clear definition of just what it means by the solicitation of new business by an underwriting firm during a waiting period.

Government In Business

(Continued from page 2075)

men were always strictly honest and never greedy, there would be no need even for public regulation of business. That, however, is an ideal situation which has never existed and probably never will.

One hundred years ago State banks were allowed to issue currency and in many States there was little or no supervision. The result was that many "wildcat" banks abused the privilege by over issuing currency, which promptly went to a discount under its face value and the public could never be certain what its "paper money" would be worth tomorrow, or next week. This unsatisfactory situation was remedied by establishment of Federally supervised national banks and by extension of supervision by the various States. No doubt the speculative bankers of that time protested that the government was ruining their business, but, looking backward over the years, I am sure that bankers today would agree that public supervision of banks has been a good thing and that it has been administered as well as human frailties permit.

Some sixty years ago many of the principal railroads were in the hands of speculators who were manipulating rates, service and securities for their own profit without regard to the public interest. The result was the establishment of the Interstate Commerce Commission, with regulatory powers over railroads. While some of us feel that the Commission right at present isn't being fair in the matter of freight rate increases, its record over the past fifty or sixty years has been one of general fairness and reasonableness. It would be hard indeed to argue that government regulation of railroads has not benefited the public.

One could cite many other instances where abuses of privilege by private business brought about regulation or supervision by Federal or State governments. The actual administration of government regulations has not always been as impartial and honest as that of banks and railroads, but that is what we may expect from human nature. Where, then, are we to draw the line between government regulation that is beneficial and that which is harmful? To answer that question I might borrow from the language of baseball to say that government should be an umpire, not a player nor even a manager.

Regulation vs. Government Operation

There is a difference between enforcing the rules of the game, on the one hand, and actually running a business. The trouble of late has been, however, that Government has not contented itself with enforcing, as an umpire, the time-tested rules governing the transaction of business, but has added hundreds of new rules which confuse the players. Imagine how many hits would be made if a batter had to consult his lawyer and his accountant before he swung at a pitch! Yet that is the situation in the business world today. The war provided a perfect excuse for all sorts of regulations, many of which had nothing whatsoever to do with winning the war. Now that the war is over, the excuse of "national emergency" is still used for perpetuating many of the controls which had no real reason for their existence even in wartime. There is no reason, for example, why some of the labor and materials which went into goods "lend-leased" to nations which happened to be temporarily on our side might now have been diverted to the construction of a certain amount of housing for the veterans whom everyone knew would be coming home. Now that over 80% of the veterans are home and many of them have no place to live, the politicians are squirming around in an effort to solve the problem by priorities, subsidies and easier credit, when the real need is for less regulation, not more.

Intelligent and far-sighted government regulation of construction during the war might have gone far towards preventing a housing shortage today. But it was easier to temporize and let the future take care of itself and that is just what was done, not only in housing but also in other fields where government has assumed control over business. Most people knew that price control without rationing and wage control wouldn't work, but price control *was*—I emphasize the past tense—popular with the voters and rationing and wage control weren't. So the first was continued and the last two were dropped. The results are familiar to all of us.

Cost Controls Essential to Price Controls

No man can stay in business indefinitely if his prices are controlled while his expenses are allowed to follow the law of supply and demand. He can continue only so long as his working capital holds out and then he must shut up shop or go into the black market. So the bootlegger, whom we thought we had got rid of when the Eighteenth Amendment was repealed, has come back in through the side door. Only now, instead of doubtful Scotch and "needled" beer, he has been selling steaks, white shirts, new automobiles, nylon stockings and apartment leases.

Thus can government regulation—a good thing in its proper place—become a tyranny by its unwarranted extension into fields which properly belong to business management in a free economic order. Of course, if we want a completely managed economy, where every person is told what work he has to do, where he can live, what he will eat and wear and what he may do with his money—then price control would be in order, provided we could find managers with sufficient intelligence to manage everything and, provided further, that we would like to live under such conditions.

But as long as we prefer freedom of choice in the ways of living, we must restore the freedom of business management to decide what prices it can charge, subject to the automatic regulations of competition. Our competitive economy has produced the highest material standard of living the world has ever known—a standard which is the envy of millions of people living under controlled economies—or, rather, such of them as are allowed to know anything about us. The choice, therefore, is up to us—whether we want freedom for the individual, which means freedom to fail as well as to succeed, or whether we want the doubtful security of a paternalistic government which will never let us out of its watchful care.

Action Not Whining Needed

But all the wailing and whining of businessmen, large and small, will not stop unnecessary and unwarranted government regulation unless it is accompanied by action. There are strongly organized political groups tirelessly agitating for more and more government control, in order to weaken private enterprise and pave the way for political disturbances which will enable such groups to increase their own power. Their members often turn up in the most unexpected places and, in the aggregate, they exert a great deal of influence over public opinion. If you doubt that these people have been trying to perpetuate price control and other forms of government regulation, just read their official newspapers and magazines which are for sale on any newsstand. Their power is great and growing, so don't underestimate it.

Businessmen are numerous, but unorganized. In recent weeks, before Mr. Truman changed his mind, butchers were particularly hard hit by price control and the consequence disappearance of meat from the markets. But how many butchers made personal calls on the congressmen from their own districts? How many have even written letters to their congressmen? How many other businessmen have written or spoken to their congressmen about amending the one-sided labor laws that have been put on the statute books during the last ten or eleven years.

This is an election year. Both members of Congress and their opposing candidates are especially sensitive to the troubles of the voters. Let them know if government regulation is ruining your business and tell them what you think ought to be done about it. Remember, there are always many pressure groups opposed to business interests which are flooding the desks of your congressman and all others with letters, telegrams, petitions, etc. Unless businessmen make their voices heard, how can they expect the lawmakers to understand their problems? And don't neglect the Senators. There are only two from each State and it may not be so easy to call on them personally, but one can write letters to them.

Government Competition in Business

So far I have been discussing government control of business. There is also the problem of government competition with many businesses. Electric power utilities have long suffered the competition of tax-exempt municipal plants which are able to sell power at lower rates because they pay no taxes. Country banks have felt the competition of the Production Credit Associations and other instrumentalities of the Farm Credit Administration. Tax-paying real estate owners have the competition of subsidized public housing. The ultimate effect of these activities by government can be summarized in two words: Higher taxes. The voters in some localities have come to understand this and have rejected proposals to issue new bonds to finance municipal power plants. Perhaps some day the voters of New York City will come to the point of understanding that they are paying taxes to make up the deficit of the City's transit system under a five-cent fare.

The arguments in favor of public housing are more difficult to answer than those in favor of municipally owned utilities. Without a labor supply, business cannot prosper and expand and without adequate housing, labor supply remains static or diminishes. Because of prevailing rent ceilings on new construction and because of shortages of certain materials, private builders have been doing little building since the end of the war. Therefore, say the public housers, if private enterprise cannot or will not build, then the government should step in. Thus, we have a situation where the government, through the continuation of rent ceilings, is helping to create the very housing shortage which is used as a justification for its entry into the real estate business on a broader scale.

"Slum clearance" is a fine thing and no one is against it provided it does something more than transfer a slum to another location. It is well known that many of the people living in so-called slum areas which have been condemned to make way for public housing projects are economically unable to pay the rents charged in the new subsidized buildings and merely move to other slums somewhere else. There is no more social or economic gain in such activity than there is in allowing private enterprise to erect new housing without subsidies.

This is the sort of thing which life insurance companies and savings banks have already begun to do and in my opinion it is a splendid thing. As soon as materials become available and costs become stabilized, we may expect more of it. If private enterprise can build and operate housing projects, then there will be no need for government housing except to provide for persons actually residing in the slum dwellings which are to be torn down.

There remains in the field of "government in business" the numerous government corporations formed during the past 15 years with power to to a wide variety of things. Many of these corporations were created by Executive Orders under broad grants of authority by Congress, others were created by existing government corporations which had been chartered by Congress and still others were created without any apparent authority.

For many years there was no control over the forming of government corporations by other government corporations or by executive order and few of them had to make any public accounting of their funds. A long step forward was taken last year when the Government Corporation Control Act was approved, providing, among other things, that no new government corporations can be chartered except by specific Act of Congress and that all government corporations now operating under State charters automatically will be liquidated on June 30, 1948, unless Congress reincorporates them prior to that date. Annual budgets and annual audits are required.

Where a corporate charter requires an Act of Congress, there is opportunity for open debate over its proposed powers and the usual result is that there is included a specific provision prohibiting competition with private enterprise. Many government corporations have done a great deal of good. Both business enterprises and individuals have benefited from the activities of such organizations as the Home Owners Loan Corporation, the RFC, the Federal Deposit Insurance Corporation and many others. But to leave the door open for government corporations to enter any business without regard to private corporations already engaged in it, is both unfair and unsound. Fortunately, it appears that we have passed the peak in the formation of government corporations—at least until the next depression or the next war.

Summary

To sum up, government supervision of business of certain types has been beneficial and becomes harmful only when the government stops being an umpire and tries to become a manager; direct participation in business by government is warranted only in cases where private business cannot or will not supply the facilities necessary to meet a real public need. Right at the moment the trend seems to be in the direction of a little less government in business, but it may change any day if businessmen are not "on their toes" to protest to their congressmen and senators the moment an attempt is made to increase it.

Sen. Byrd Criticizes Personnel Increase in Government

(Continued from page 2075)

V-J Day, while 11 effected slight reductions. The largest increases were in Veterans' Administration with 116,943 additional employees, Post Office Department with 106,486 (including the 53,277 employees reported for the first time in Sept., 1945), State Department with 9,188, Treasury Department with 7,451, Interior Department with 7,587, Agriculture Department with 4,896, Federal Works Agency with 3,556, National Housing Agency with 3,279, and Federal Security Agency with 2,365. Due to consolidations, the Labor Department has increased 25,688. In addition to these increases, the War Assets Administration has taken on 18,928 additional employees.

"The War and Navy Departments reported reductions totaling 1,253,333 employees, from 2,532,313 in Aug. 1945 to 1,273,980 in Aug. 1946. Most of these employees were of the industrial type, working on war construction projects such as airfields and roads and in shipyards and arsenals. Proof of this statement is the fact that since Nov. 1945, according to reports submitted to the Committee, 563,610 such industrial employees have been released. Since Aug. 1945 the emergency war agencies have released or transferred to other agencies 111,909 employees, reducing their employment from 159,773 in Aug. 1945 to 47,864 in Aug. 1946.

"Summarized, a comparison of Aug. 1945 and Aug. 1946 personnel statistics discloses that the War and Navy Departments and the emergency war agencies released 1,370,242 employees and the old-line departments, independent establishments, and postwar agencies increased 332,732, which results in a net reduction of 1,037,510 from 3,649,769 in Aug. 1945 to 2,612,259 in Aug. 1946. This would appear to be an appreciable reduction if it were not for the fact that in Dec. 1939, when the country started on its national defense program, there were 928,836 Federal employees, exclusive of War Department civilian employees stationed outside the continental United States. It is incomprehensible why the civilian agencies of the government which admittedly took on additional personnel from 1940 through 1945 for additional war work should feel the need to increase employment further now that the war is over, yet just this is taking place. Some additional personnel are undoubtedly required over the 1939 total to deal with problems of the war's aftermath, but I reiterate that as a result of the war we have surplus personnel as well as property for disposal. The failure of the departments and agencies to acknowledge this may well force the Congress to make further reductions mandatory."

Eric Mellgren to Join Grimm & Co.

Eric G. Mellgren will become associated with Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. He was formerly a partner in W. J. Banigan & Co.

Gessing with Horan & Grischy

(Special to The Financial Chronicle)

CINCINNATI, OHIO — Lawrence G. Gessing is now with Horan & Grischy, Union Trust Building. Mr. Gessing was previously with Edward Brockhaus & Co.

Regulation "Shenanigans"

(Continued from page 2071)

mission. This copy should be received at the above address on or before Oct. 21.

If you were not requested by the SEC to file this financial statement, you may, of course, disregard this letter.

Very truly yours,
WALLACE H. FULTON,
Executive Director."

Such missive prompts the following questions:

1. Was the subject of sending this communication taken up with the Board of Governors of the NASD? Did the members of the Board have any knowledge that the communication was to be sent, and if they did, was it transmitted with their approval or with the approval of the majority of them?

If the communication was sent without the authority of the Board, then what authority does the Executive Director claim, that is, pursuant to what provisions of the by-laws did he give the order contained in the letter of Oct. 3, 1946?

2. Assuming that the letter itself was duly authorized, every recipient who was on the alert would naturally ask himself, is the whole thing legal and proper, is the Securities and Exchange Commission request referred to in the letter, one to which each registered broker and dealer must reply? In other words, doesn't the NASD have some responsibility towards its membership in the instant case to advise them of their rights, duty and obligation in the matter?

3. Was the request of the Commission to file a financial statement sent out to all registered brokers and dealers? The last paragraph of the NASD letter which says, "If you were not requested by the SEC to file this financial statement, you may, of course, disregard this letter," is confusing because it would seem to indicate the possibility that not all registered brokers and dealers were similarly treated insofar as the subject matter is concerned.

This takes us back to the original communication of the SEC dated Sept. 30, 1946.

According to its text, it was addressed, "To all registered brokers and dealers."

It required the addressees to furnish the Commission with a statement of financial condition as of Sept. 30, 1946, which statement should be filed with the Regional Office not later than Oct. 15, 1946, **pursuant to Rule X-17A-5.**

Then followed some five negative injunctions. Thus it was provided among these that answers need not be prepared by independent public accountants, that audit requirements need not be followed, that certain market values of securities need not be supplied, and that particular parts of the form need not be answered.

All of the information furnished, it was ordered, must be under oath or affirmation.

Then there appeared this interesting observation:

"This is a special statement which is not a substitute for the full statement of financial condition regularly required under Rule X-17A-5."

At this time we are not venturing any opinion as to whether or not Rule X-17A-5, which requires members of national securities exchanges and registered brokers and dealers to file periodic statements of their financial condition with the SEC, is legal.

We will not attempt at this time to say whether such rule constitutes an arrogation of legislative powers, not intended to be granted by the Securities Act.

We will assume for the purpose of this discussion only that the rule itself is in all respects lawful.

That being the assumption we ask what right has the Commision to direct the filing of a "special statement"? Where do the Securities Acts or the rules grant it such authority? If those who by Rule X-17A-5 are required to make reports of financial condition, in fact do so, wherein lies the right of the Commission to compel additional "special statements" not required by the rule?

Now then, if all this is so perplexing, why does Wallace Fulton take it for granted and instead of probing the subject, just naively advise NASD members to file with the Executive Office a copy of the financial statement filed with the Commission?

It is said that the market break of Sept. 10, and the desire of the SEC to get at the bottom of it, is behind all this activity.

The curse of over-regulation is sufficiently over-burdensome already without belaboring those in the securities industry further, every time the Commission is on a witch hunt.

The cost of doing business in the securities field is already oppressive, without increasing the same by regulatory requirements, whilst at the same time attempting to reduce spreads.

The two directives reviewed in these letters demonstrate an NASD lack of initiative, and to our mind, a ready servility of that organization to SEC purposes.

Straws like these indicate an administrative intent to increase rather than relax the powers of administrative bodies, through means of doubtful interpretation.

Underwriters Take Exception to J. Arthur Warner Trying to Pin Market Slump on Them

(Continued from page 2076)

conspire to foist upon unwary buyers a security at the highest possible price consistent with the market's ability to absorb the security; and at a price, as I have said before, that gets the most for the corporation and the underwriter."

He ended on this note: ". . . as reluctant as I am to suggest any further controls, I think that if we give this subject some earnest thought most of us will come to the conclusion that these underwriters and corporations should not be permitted to wander unbridled in our midst and they should not be permitted to pursue the public dollar like a pickpocket pursuing his prey."

Comments on Mr. Warner's views which the "Chronicle" now received follows:

Comment No. 1

Mr. Warner is not an underwriter. Underwriting just isn't his business. The complaint he voices in his statement, therefore, presumes a degree of knowledge of the actual facts which he is not now—nor has been—in the position to have. In the underwriting field myself, I know of no such instance of the kind of fraudulent practice that Mr. Warner alleges to be common in the industry. It looks to me as though Mr. Warner is just looking for a scapegoat to account for the recent general decline in security prices.

Anybody can have hindsight. If Mr. Warner knew so much about the conditions he says existed, why didn't he mention them before? If the things he says are true, he would have done the industry a service by revealing the events he describes when they were taking place. Underwriters can't be held accountable for price movements up or down. Security values are always determined by general market conditions.

There was a period a few months back when anything would sell and it is doubtful whether any statement of caution to any prospective purchaser of some new stock issue in the stock prospectus itself—even a statement that would go so far as to say that the stock was purely speculative—would have had any deterring effect upon the public's impulse to buy. Prices can be high in a market at one period and low in the same market at another period due to influences entirely beyond the control of the underwriter.

Comment No. 2

I am sorry I was not at the meeting as I would have liked to answer Mr. Warner on the spot. It seems to me that Mr. Warner is merely trying to win the favor of the SEC with whom he was in difficulty, as I recall, not so long ago. He is not an underwriter himself and can only talk as an outsider. Therefore, he can not know all the intimate details of the business as he pretends. Actually, he is attacking the underwriting function itself. It's just a case of sour grapes.

There are just a few of us in the particular branch of the business to which Mr. Warner is pointing his finger and I think I am sufficiently well acquainted with the facts to say that his charges are wholly without basis. I know of not a single instance of such dishonest dealing with the investing public that Mr. Warner talks about. Even if his allegations were absolutely true and it could be proved without question that underwriter and corporate management did, as he suggested, "conspire" against the best interest of the investor, the SEC would not need — as Mr. Warner implies it needs—more power than it has already to deal with the situation. The SEC already has authority to intervene in such a case.

It just isn't true, either, that all new issues have shrunken in value to the extent or for the reasons that Mr. Warner gives. If all the facts were known, a large number of new issues have not deteriorated at all in price but, where they have, not more than the conditions of the market would warrant. In fact, it is the market always and not the machinations of underwriting houses which determine price. Underwriters do try to establish a figure for a new issue they are getting out which will be as close as possible to the price that will be established in the market that can be developed for the particular issue but this is only in conformity with the established practices of the trade.

Comment No. 3

Mr. Warner would deny the investors of this country, "the dubious right" to invest in certain new securities which, in his opinion, represent "disgraceful public offerings." Whom would Mr. Warner charge with the responsibility for sifting the wheat from the chaff? Who is to say what should be bought and by whom? Would he have more government overlords selected for this task? Have we not had enough of this sort of thing in this country?

Such a statement leads to but one conclusion . . . either Mr. Warner has not thought this thing through, or he doesn't understand the difference between a country that operates under Constitutional law, such as ours, and a dictatorship! To give the power to any group of men to decide what represents a sound new issue and one that is not, goes far beyond anything ever yet advanced by even the most ardent advocates of statism and national socialism.

The balance of Mr. Warner's remarks rest upon the unsound premise that those who are now serving the investing public in these United States are devoid of character and intelligence. For many years there has been too much of this kind of talk—its time we had less of it . . . especially from those who should know better.

Comment No. 4

Mr. Warner's charges against the underwriting industry can be answered point for point. Just how far the industry should go in formulating a reply is a question, however, as it is evident that Mr. Warner is only looking for some cheap publicity.

It is strange that underwriters should be accused now of having set the prices of new securities too high when only three months ago the SEC and others were intimating that they were setting them too low. It was last June that the SEC had before it proposed Rule X-15C2-3 which would prohibit "insiders," such as members of the family of an individual underwriter getting out a new issue, or employees of his firm, from participating in the offering because, as the claim went, underwriters and these "insiders" were reaping huge profits from buying up the stock at the issue price and then selling it later at the higher market price which developed.

Comment No. 5

I do not know Mr. Warner but the various charges which he hurls at the underwriting industry are wholly without meaning without mention of actual firm names and the names of other parties involved and without such other proof as might be cited. A customer has recourse to the law for the adjustment of any claim arising out of misrepresentation of an issue. If there is any substance at all to what Mr. Warner alleges, specific instances of the "conspiracies" he claims should be cited.

An excess of new securities on the market would not have the effect on stock prices that Mr. Warner suggests. An abundance of new issues is only one of many factors that can contribute to a decline in security values but, all by itself, an excess of new issues would depress the market no more than three points or so. Whenever it becomes difficult to dispose of numerous new stock issues in the aggregate, it is usually possible to sell the shares over a longer period of time in smaller quantities.

But I defy anyone to tell me when the market is going to turn. I ask just when should an underwriter advise a prospective issuer not to go ahead with his plans. It is the last issue of a long series of new offerings which up to then have been successful, that breaks and no one can possibly know in advance just which one this is going to be. New issues are readily absorbed by the market, then all of a sudden, without warning, there is a reversal of trend. In fact, an expanding market must reach a turning point at some time or other as otherwise stock values would increase indefinitely and this is impossible.

Mr. Warner's implied suggestion that the granting of additional powers to the government regulatory bodies might help to correct the situation is ridiculous. It would be impossible for a regulatory body of any kind to control the market in the way he suggests. For instance, suppose it were determined that a particular market could absorb only two out of four given issues, on just what basis could a regulatory body decide which two issues should be floated and which two should be kept off the market? The regulatory body would—at once—become exposed to all sorts of influences, including political string-pulling, and it would be extremely difficult for it to formulate any order at all.

Besides, I don't think the market is so bad now, anyway. I have just returned from a visit to the West Coast and to the South where I found the industrialists angry, very angry, over the labor situation and OPA, but not pessimistic about the future. If our industrialists were pessimistic, then that might be a cause for concern. It was generally estimated toward the close of the war that reconversion would take about a year but, because of labor disturbances and other causes, reconversion is taking longer. The five years of prosperity which the business men saw lying ahead has now been extended to seven years or so. This forecast of the future depends, of course, upon the maintenance of peace in the world.

How Long Government Controls?

(Continued from page 2070)

Sees No Quick Abandonment

Such a condition is fantastic, and yet I do not think it will be very quickly abandoned. One reason it will not be abandoned is that the present price control law is such a messy one. Everybody agrees that this is so, but there is very little agreement as to why it is so, or in precisely what its messiness consists. Mr. Truman thinks that it is a bad law because it does not give him or his administrators sufficient power. He is right about this, but in a different way than he himself supposes. Mr. Truman apparently thinks that the law is bad because it does not give him power of control. Actually the great weakness of the law is that it did not give him power to decontrol.

It did not seem to occur to the Administration when last spring's price-fixing debate was going on in Congress that it would ever strongly want the power of decontrol. That power could have been inserted in a single sentence. Congress could have provided that either the President or the OPA administrator could decontrol any item or even all items at his own discretion, without having to give any reason for it. But such a simple clause does not seem to have occurred to anybody. As the bill stands, it is hard to decontrol anything (apart from agricultural products) without finding elaborate positive reasons for doing so. It must be shown, for example, that "supply has come into balance with demand." This is a meaningless requirement. Supply and demand come into balance only at a price. In a free market they balance at the free market price. That, in fact, is precisely the function of price in a free economy. When supply is in excess of demand, prices fall. When demand is in excess of supply, prices rise. After the rise, demand and supply balance. The price rise itself brings the demand and supply into balance. It leads consumers to reduce their purchases and procedures to increase production in order to take advantage of higher profit margins. But when a price is held below the price that a free market would fix, it necessarily makes demand greater than supply. It necessarily perpetuates an unbalance between demand and supply. If the requirements of the present law were taken literally, there might never be any decontrol.

Some hope seems to be left about the provision in the present price law that the OPA on or before Dec. 31 must take off controls from all items which are not important to living costs or to business costs. This requirement, if sensibly followed (and if fulfilled quickly as the Administration now promises), would no doubt remove a number of frills and furbelows from price controls. But there are very few items that cannot be called important either to living costs or to business costs. To control all items that are important to living costs and business costs would still be to control the great bulk of the economy. Certainly the Administration could not say that the prices of steel or coal or ore or copper or aluminum or lead were not important to business costs. It could not say that the prices of beef or milk or shirts or stockings were not important to living costs. And when OPA had compiled a complete list we might not find ourselves very far from where we are now.

My personal conviction, therefore, is that if we really hope to get the decontrol of prices with the speed that is now essential it can only be done either by the Administration's ignoring, with the consent of Congress, the provisions of the present law, or, much better, by the President's calling a special session of Congress immediately after the election to repeal the present price law.

Price Control and Inflation

Until, I believe, a few months ago, the Administration view was accepted by most people in this country that price control was the chief if not the sole weapon against inflation. But it is beginning to be recognized, at last, that so far from this being true, price control actually prolongs inflation. It does this in two main ways. It not only encourages consumption, but it reduces or eliminates profit margins on crucial items. It thereby discourages or slows down production. Sometimes the effect of this is extremely broad. If an ill-considered price ceiling on nails, for example, discourages or reduces the production of nails, it is not merely that one item whose production we have to worry about. For a shortage in nails may, as it is doing, slow down the entire building industry. The slow-down of building construction will in turn have its repercussions on the whole business situation. In business, not less than in war, the old simile applies; for want of a nail the shoe was lost; for want of a shoe the horse was lost; for want of a horse the rider was lost; for want of a rider the battle was lost.

But perhaps even more important than this is the fact that price control, by attempting to deal merely with the symptoms and consequences of inflation, diverts public attention away from the real cause of inflation. The real cause of inflation is the increased volume of money and bank credit in circulation. That money and credit has more than tripled since the beginning of the war. It is because of this excess of money that the value of the monetary unit has fallen. This fall in the value of the monetary unit is reflected in a rise in commodity prices. The increased volume of money and bank credit is in turn caused by the cumulative budget deficit, by deficit financing and by artificially low interest rate policies still being persisted in. As long as this situation lasts, we will have a basic inflationary situation, regardless of what slumps or jolts may occur inside this situation.

The recent crisis in meat brought out dramatically a very important aspect of price control that has been almost universally overlooked. This aspect was illustrated most graphically by what happened to poultry and egg prices. When beef, lamb and pork were put back under price controls, the immediate result was an increase in the price of poultry and eggs. The price controllers blamed this increase on the free market. Poultry and eggs were going up, they said, because they were not under ceilings. But the real reason that poultry and eggs went up was clear. When price ceilings on meat made meat impossible to get, the demand for meat was concentrated on the only available substitutes, and eggs and poultry prices were forced up because of this abnormal demand. When the ceilings were taken off beef, lamb and pork, the immediate result was a drop in the price of poultry and eggs, because the abnormal pressure of demand was taken off. Similarly, when the ceilings were removed from margarine and other fats, the immediate consequence was a decline in the price of butter.

Now, these dramatic consequences illustrated a much wider economic principle, and it is this that has been overlooked. The day after the President anounced that ceilings were removed from meat, the Price Administrator for this five-State region declared that OPA ceilings had never governed the entire economy. American consumers, he declared, spent a total of $250,000,000,000 a year, and the OPA had only been controlling the prices of about $100,000,000,000 worth of goods and services at its maximum scope. After the President's order decontrolling meat, he estimated OPA was still controlling about $65,000,000,000 worth of goods and services. Now I cannot vouch for the accuracy of these figures. In fact I doubt whether the OPA has very accurate figures of this sort. But the figures will do well enough to illustrate the principle which I wish to discuss.

If the public is buying $250,000,000,000 worth of goods, and the government controls the prices of only $100,000,000,000 worth, what happens to the prices of the other $150,000,000,000 worth of goods? I suppose the OPA Administrator had in mind such things as real estate, security values, professional services, certain luxuries, etc. To the extent that the prices of controlled commodities are kept down by price-fixing consumers will be able to get them for less. They will have just that many more dollars left over to bid up the values of the uncontrolled commodities. In other words, to hold down the price of a controlled commodity does not leave the rest of the situation unchanged; its effect is actually to boost the prices of the uncontrolled commodities.

Volume of Money vs. Volume Of Goods

What you have is a certain total volume of money or money incomes bidding for a certain total volume of goods. If you increase that volume of money or money incomes without increasing correspondingly the volume of goods, the inevitable effect is to push up the prices of those goods. If you hold down the price of part of those goods, you must either pile up a certain amount of unspent savings in the hands of the public, or you must divert that unspent amount to the uncontrolled goods. We may compare the condition with that of a balloon that is filled with a given volume of air. If you squeeze it at one place, it will stretch all the more at some other, because the air has to go somewhere. Similarly, if you prevent money from having its effect on goods at one place, it must all the more affect it at some other place. The money has to go somewhere.

Now, if this is true, it brings us to some conclusions that are precisely the opposite of the conclusions usually arrived at. Universal price-fixing must ultimately lead to a totalitarian economy. But what does partial price-fixing lead to? Its ultimate effect, even if it does not discourage the production of the items controlled, is not to reduce the general price level at all, for in squeezing down the prices of the controlled commodities, it merely forces up the prices of the uncontrolled commodities.

We may apply this principle to the general belief that price control should be removed from everything except rents. Now for political reasons, I am inclined to agree with the conclusion that this is probably the most desirable next step, so long as it is recognized that the solution is a temporary one. Wholly apart from the question of equity, when we hold down rents, what we do is to divert that much more purchasing power to the bidding up of other commodities.

My own conviction is that the sooner we get rid of price controls, the sooner we can achieve a maximum, balanced production. And the sooner we can get rid of price controls, also, the soooner we can deal properly with the question of controlling inflation; because real remedies are not applied as long as false ones are believed in.

Crisis Coming: Virgil Jordan

(Continued from first page)

and able to revive and preserve here the kind of economic system in which they can buy and sell services without aids and subsidies, production controls, price and wage fixing and unlimited spending by government."

Discussing the topic, "The Future of the Free Economy in America," he predicted that "the outcome of the great debate in this issue that is now beginning will determine the prospects for future world peace as well as our recovery from the war during the next few years."

"It will likewise decide," he continued, "whether we are to go down the rest of the road to totalitarian dictatorship and lose also our political and cultural freedoms which can survive only under economic freedom. A 'mixed economy' cannot long exist in America or anywhere else. Every economic system must move toward freedom or become completely controlled, and such control always requires complete control of the life and work of the individual citizen.

"The prospects for revival and survival of a free economy in this country might appear to be more hopeful because we have been living for 13 years of peace and war under almost complete government controls which have penetrated every crevice of our life and work. The government has had practically complete authority and sole responsibility, and the private citizen almost none, for everything that has happened or been done in America during these many years. The past decade has provided a perfect test of government spending, government planning and government control, and today the American people are now exposed to a demonstration of the consequences which should be conclusive or convincing if we can learn anything from experience. We might at least expect that the coming depression would cure them of the consumer purchasing-power theory of prosperity, for it has never before been tried on such a colossal scale and with such complete failure.

"The chances of restoring or preserving a free economy in America depend mainly upon how the American people will behave under the conditions they face during the next five years. They are now moving into a major cyclical decline in production, employment and prices which will probably be speeded and made deeper and longer by the policies that have been pursued during the past 13 years of expanding government control of the economy. It will put an even greater strain upon our capacity of self-discipline than the depression of the 1930's, and there is reason to doubt whether the American people are today better able than they were then to meet it without resorting to another foreign war or to another dictatorship by one of the men on horseback who is always on hand in a crisis of this kind to invite them to vote away the rest of their freedoms for an offer of phoney security with fake money. The temptation to escape the dilemma of depression or get permanent power by either method will be very strong for any administration that may be in office from 1948 to 1952.

"One may hope we have learned something about these solutions of the problems of prosperity from our experience of the past 13 years. But to keep a free economy requires more than intelligence or experience in a people. They must want it and believe in it and have the capacity to pay the price. No free economy, nor any other kind of freedom, is free. It has to be paid for by self-discipline, self-control, self-sacrifice, and in all these respects the prospects are not promising. All groups among the American people have been weakened and demoralized by the expansion of government power and responsibility during the past decade, and it is hard to find any one here or in the rest of the world who wants to restore a free economy in America or is not in some measure more afraid of it than of greater government control.

"American business is no longer sure that it wants a free economy and has even developed a large left-wing of organizations and propaganda actively promoting schemes of government planning to control purchasing power and consumption based upon the gospel according to Karl Marx and John Maynard Keynes. Agriculture is afraid of a free economy and wants government price guarantees, subsidies and world stabilization plans. Some labor leaders have begun to doubt where the road of government-supported unionism will lead them, but most of the unions still believe in salvation by greater government benevolence, higher wages, less work and more price controls, and few are willing to face free collective bargaining and a free labor market, least of all in depression. Even scientists, teachers and other professional groups have caught the pandemic disease of political power and are bringing their influence to bear in many ways against the restoration of economic freedom.

"Of course, government here or elsewhere does not want to see a free economy revived in America, despite all its pious protestations about free enterprise, for the main business of the bureaucratic State everywhere is to maintain and expand the enormous increase of power and control it acquired over the economy as consequence of the war. Since nearly every other government in the world has an immense vested interest in preventing the restoration of a free economy in this country, our own government has been busily engaged in negotiating global economic agreements and arrangements which compel and in effect guarantee the continuance of a politically controlled economy in America indefinitely. The extension of international collectivism through the economic mechanisms of the United Nations organization has become for the rest of the world a powerful safeguard against the revival of a free economy in this country.

"Such a revival is not impossible, but as matters stand it is very difficult to imagine. It will not only require hard work, which nobody is willing to do any more, but such things as curtailment of the power of unions and government to fix wages, restoration to management of the power to hire and fire on the basis of productive efficiency, elimination of the closed shop and the check-off, stopping the use of government to force the growth of unionism, limitation of government borrowing and spending, and changes in many other conditions upon which most groups have come to depend in one way or another and which most Americans take for granted as necessary or normal today.

"That is one reason why the coming crisis will probably be more than another business depression and may mean a profound unheaval in American life."

Reasons for Stock Market Break

(Continued from page 2082)
and appraise the current situation, we list below the principal factors which are supposed in varying degrees to have contributed to the decline, and will weigh these against the background of the market itself:

1. Russia, and fear of war.
2. Labor—wages, strikes, productivity, profits.
3. OPA.
4. Construction industry bottlenecks due largely to (3).
5. Transition from sellers' to buyers' market with prospect of increased competition.
6. Inventories, publicized as rising to peak levels.
7. Tightening of instalment credit terms.
8. Rail rates versus increased operating costs.
9. Foreign liquidation of "unfrozen" securities.
10. Marginless trading.
11. Undigested new capital issues.

There is no doubt that some of the above factors have been overemphasized in their importance; others are probably of transient or waning economic significance; while still others are a continuing threat to the achievement of maximum business volume and reasonable profits. To determine the relative weight attached individually to these several factors by the mass of investors, and therefore the items in tomorrow's news likely to exert a continuing influence on investment decisions, there is no better place to look than within the market itself.

There is shown herewith Barron's common stock price averages of 31 individual stock groups on V-J Day; at their 1946 highs; and on Oct. 3, and the Dow-Jones price averages on the same dates. From this data we have computed the percentage of the postwar price gains lost in the subsequent sell-off; and the total percentage decline from the 1946 highs. Note that the groups which have fared the worst, and are now selling at or below levels prevailing at the end of the war, represent principally the durable goods industries—automobiles, farm, office, railroad and electrical equipment. Exceptions are the building materials, iron and steel, and nonferrous metals (copper, etc.) groups which are still above their war-end price levels and have declined less than average during 1946. On the other hand, the chemical, oil, merchandising, liquor, motion picture and other similar groups were still selling as of Oct. 3, in some cases considerably above their V-J Day levels. These industries have benefited to an important extent by repeal of the Excess Profits Tax, and labor is less of a cost factor than in the durable goods lines.

Several conclusions may be drawn from these brief comparisons: (1) the "war" theory as a market influence is minimized by the fact that the durable goods or "war" industries, with the exceptions noted, have suffered most in the present market, whereas "peace" industries have been relatively buoyant; (2) possible consumer resistance to higher prices has not become a factor as yet, nor have construction industry bottlenecks, in view of the better-than-average performance of the building materials group despite high construction costs; and (3) most important, action of the automobile group specifically indicates that the labor situation, including renewed wage increase demands under government sponsorship, has been the principal depressant of postwar security markets.

Labor vs Production

Facing, at the end of the war, a backlog of new automobile demand which it is still anticipated will take at least three years to fill, the automobile industry has been plagued more continuously than any other by wage demands, strikes, and parts shortages. Automobile plants had been quickly reconverted to peace-time use, and to avoid time-consuming delay and expense, design changes from the last 1941 models were planned to a minimum. But—during the first 9 months of 1946, total auto and truck production was only 41% of similar output in 1941—with an average of 20% more men on the payrolls, working a leisurely 37 hours per week.

While the recent reduction of the permissible installment payment period from 18 to 15 months under government regulation and sharply higher new car prices will affect potential sales to some extent, there is an urgent and unprecedented need for new cars and other durable goods which will still assure capacity operations over a protracted period once the current obstacles have been removed. Furthermore, outstanding consumer instalment loans are only one-fifth the level of 1941 and personal savings are at unprecedented levels. Should the current models at postwar prices still be out of reach of the lower income bracket people who ordinarily constitute part of the new car market, there is no doubt whatever that plans of the major companies to produce "low" priced models, tentatively abandoned due to construction difficulties, will be resumed. The automobile industry has always been facile in developing the greatest possible market for its product.

It has been previously calculated that 18½-cent wage increases, added to wartime gains, would raise manufacturing costs some 33% unless compensated for by increased labor productivity per hour. In addition to the resulting squeeze on profits where labor is an important cost item, it was observed that the resulting increase in the cost of living would undoubtedly generate fresh wage demands. The threat became real at the end of August with respect to the Chrysler-CIO contract, and in our opinion was the principal factor in the subsequent selling wave.

Labor-management differences are not new. Following World War I, labor demands, implemented by bitter strikes, resulted in wage increases (126% over prewar), much greater than during World War II to date. However, it has been the intrusion of a government stubbornly perpetuating wartime powers and an Administration steeped in labor politics that has created consternation among investors. A distinctly encouraging factor, therefore, is that the more important labor leaders are now advocating a return to absolutely free collective bargaining without government interference. In addition, they are beginning to appreciate that labor compensation, productivity, and selling prices are directly related, and that still higher wages will mean another boost in the cost of living. While uncertainty still clouds the labor horizon, some light is beginning to show through.

Inventories

During recent weeks, the increase in manufacturers' inventories has been continuously publicized as a dangerous portent in the current economic picture. The last postwar depression, it will be recalled, was set off by the dumping of unwieldy inventories of raw materials which had been accumulated during the preceding period of price speculation. There has been no such accumulation to date, if only for the reason that manufacturers as a whole have been unable to obtain the materials required for current production, much less lay in a stock against the possibility of price advances.

Based upon 1939 as "100," August shipments of all types of manufactured goods, as reported by the U. S. Department of Commerce, amounted to 234. The gain was accounted for to an important extent by higher prices. On the same basis, inventories were at a level of 183, which was substantially below the amount of combined raw materials and processed goods which could be considered adequate to current needs based upon 1939 as a standruling factor in trade. "Ersatz" that this disposition is uniform throughout all branches of industry except automobiles and other types of transportation equipment. In these instances inventories have outrun shipments due to simple inability under current conditions to get all components together at the right place at the same time. The shipment of an automobile can be forestalled by lack of a single part.

Similarly, total inventories in retailers' hands are still inadequate to the current volume of trade. As of the latest figures available, department store stocks are nearly 25% less in relation to sales based on 1939 comparisons.

Manufacturers, wholesalers and retailers are becoming increasingly wary, it is true, of the inventory situation. Not for the reason, however, that they have reached record peace-time levels, but that with a more normal supply of goods and transition to a buyers' market, consumer preferences will again become the ruling factor in trade. "Ersatz" merchandise will disappear.

Other Factors

The OPA and the fact that its decisions have been based more upon political than supply-demand consideration; tardiness of the ICC in increasing railroad rates in line with wages and supply costs; and the probability of narrower profit margins in some lines when more sellers are competing for the consumer dollar than during the past year, have been additional factors very disturbing to investor psychology. So also have exaggerated rumors of foreign liquidation; the technical aspects of marginless trading, and the flood of new capital issues earlier in the year, accentuated rather than being directly responsible for the decline. In addition, there has been a tendency to reappraise the near-term outlook of individual industries, such as the airlines, in the light of reconversion problems peculiar to these.

But we believe these are passing phases of an exceedingly complex transition, not only from war to peace, but also from prewar chronic depression to a postwar world in which political values as well as price levels are in a mild state of upheaval.

Conclusion

It seems clear that most of our difficulties, including labor truculence, stem from political considerations and carry-over of a spirit of waste and profligacy which undeniably characterized much of the war effort. Lifting of meat controls and speeding of OPA machinery to break remaining "price bottlenecks" will have a salutary effect upon business psychology, but the real need is for willingness of the man at bench or lathe to do an honest day's work for much more money than he has ever gotten before. The physical needs growing out of an almost complete wartime lapse of civilian goods production preceded by years of depression, are too well known to require retelling. They are a matter of personal distress to millions throughout the land for which there is no corrective other than efficient volume production at levels far above any previous peace-time record. We believe that the narrow interests of any class or political claque will be superseded by the needs of the people as a whole, and detect signs that they truly have "had enough." Until all these issues have been resolved the security market is still "touch-and-go," but with many defensive issues—such as convertible preferred stocks, insurance and bank stocks—available at current prices which afford attractive yields and the opportunity of participating in a resumption of the upward trend.

BARRON'S GROUP STOCK AVERAGES

	V-J Day	1946 High	Oct. 3, 1946	—% Loss— Postwar Gain Lost	From 1946 High
Automobiles	43.2	53.4	33.9	191.0	36.5
Automobile equipment	48.2	63.7	44.1	131.5	30.8
Aircraft manufacturing	33.7	47.9	36.8	78.2	23.1
Air transport	61.9	86.3	53.5	134.3	38.0
Banks	65.7	75.4	65.2	115.1	13.5
Building material and equipment	65.3	90.0	72.1	73.4	20.7
Chemical	82.5	121.6	95.8	66.0	21.3
Copper, lead and zinc	44.8	64.9	49.4	77.1	23.9
Drugs	55.0	113.8	93.6	34.4	18.7
Dry goods chains	86.6	129.4	105.1	56.8	18.8
Electrical equipment	62.3	79.0	55.8	139.0	29.4
Farm equipment	105.4	138.7	96.2	127.7	30.7
Foods and beverages	50.1	61.8	55.4	54.7	10.5
Gold mining	37.8	43.8	29.3	242.0	33.1
Grocery chains	50.0	78.8	60.5	63.6	23.2
Instalment finance	50.3	62.6	48.9	111.3	21.9
Insurance	89.4	110.2	88.1	106.1	20.0
Investment trusts (average)	11.4	17.9	12.1	89.2	32.4
Liquor	53.8	142.8	101.2	46.8	29.1
Machinery (heavy)	31.8	46.7	30.6	108.0	34.5
Motion pictures	38.3	79.6	56.9	55.0	28.5
Office equipment	66.0	85.6	65.5	102.5	23.5
Oil	42.1	58.7	50.5	49.3	14.0
Packing	21.4	35.8	24.0	82.0	33.0
Paper	40.5	61.0	47.5	65.8	22.1
Railroad equipment	41.7	55.3	38.6	122.9	30.2
Retail merchandise	68.7	105.4	83.1	60.8	21.2
Rubber	57.8	81.0	62.1	81.5	23.1
Steel and iron	52.3	75.9	62.7	56.0	17.4
Textiles	69.6	104.8	76.2	81.3	27.3
Tobacco	58.6	69.5	55.6	127.5	20.0
Average, all groups				94.5	24.8
Dow-Jones Average:					
Industrials	164.4	212.3	171.6	85.0	19.3
Rails	53.1	68.3	47.7	135.5	30.2
Utilities	32.3	43.6	34.7	78.8	20.5

Economists See End of Price Inflation in 1947

(Continued from page 2081)

R. S. Alexander (Columbia University); Brig. Gen. Leonard P. Ayers (The Cleveland Trust Co.); Sherwin C. Badger (New England Mutual Life Insurance Co.); Dr. Benjamin H. Beckhart (The Chase National Bank); W. S. Brush (Consolidated Edison Company); Robert W. Burgess (Chief Economist, Western Electric Co.); Dr. J. Ray Cable (Missouri Valley College); Dr. J. M. Clark (Professor of Economics, Columbia University); Miles L. Colean (Washington, D. C.); Stewart P. Coleman (Director, Standard Oil Co. of New Jersey); Dr. Donald R. G. Cowan (Cleveland, Ohio); Garfield V. Cox (Dean, School of Business, University of Chicago); Dr. William W. Cumberland (Ladenburg, Thalmann & Co.); Rev. Bernard W. Dempsey, S. J. (School of Commerce and Finance, St. Louis University); Wendell M. Dennis (Manager, Economic Division, American Cyanamid Co.); Dr. Charles A. Dice (Professor of Business Organization, Ohio State University); W. J. Donald (Managing Director, National Electrical Manufacturers Association); Dr. Lionel D. Edie (President, Lionel D. Edie & Company, Inc.); Prof. William D. Ennis (Stevens Institute of Technology).

Stephen M. Foster (Economic Advisor, New York Life Insurance Co.); W. H. Garbade (Assistant Treasurer, Shell Oil Co., Inc.); Roy L. Garis (Professor of Economics, University of Southern California); Charles A. Glover (American Telephone & Telegraph Co.); Dr. Richard J. Gonzales (Economist and Statistical Coordinator, Humble Oil & Refining Co.); Dr. Lewis H. Haney (Graduate School of Business Administration, N. Y. University); Paul E. Haney (Economist, Sheridan, Farwell & Morrison, Inc.); C. Frederick Hansen (Director of Research, W. T. Grant Co.); Dr. Charles O. Hardy (Chicago Association of Commerce); Hudson B. Hastings (Professor of Economics, Yale University); William F. Hauhart (Professor of Finance, St. Louis University); Dr. Donald L. Kemmerer (Associate Professor of American Economic History, University of Illinois); Fred I. Kent (New York); Dr. Willford I. King (Committee for Constitutional Government); William H. Kniffin (President, Bank of Rockville Centre Trust Co.); Dean Langmuir (New York); Dr. Frederic Edward Lee (Professor of Economics, University of Illinois); Dr. J. L. Leonard (Head, Economics Department, University of Southern California); Arthur D. Lewis (Manager, Economic Analysis, American Airlines); William Livingston (Economist, Alexander Hamilton Institute); Hans Widenmann (Carl M. Loeb, Rhoades & Co.); Clarence D. Long (Member Research Staff, National Bureau of Economic Research); A. Wilfred May (Executive Editor, Commercial & Financial Chronicle); Roy W. McDonald (New York).

Dwight Michener (Associate Director of Research, The Chase National Bank); Dr. Herman E. Michl (Economist, Cotton Textile Institute); Shepard Morgan (Vice President, The Chase National Bank); Ragner D. Naess (Naess & Cummings); Dr. Melchoir Palyi (Chicago, Illinois); Dr. J. E. Pogue (Vice President, The Chase National Bank); F. E. Richter (Economist, General Foods Corporation); J. H. Riddle (Vice President, Bankers Trust Company); Dr. Roland I. Robinson (Economist, National Association of Mutual Savings Banks); Benedict Saurino (Manager, Statistical & Research Division, Sun Oil Co.); Prof. Olin Glen Saxon (Yale University); Murray Shields (Vice President and Economist, Bank of The Manhattan Co.); Prof. James G. Smith (Department of Economics, Princeton University); George Soule (New York); N. I. Stone (New York); Charles S. Tippetts (Headmaster, Mercersburg Academy); James Trant (Dean, College of Commerce, Louisiana State University).

Dr. Rufus S. Tucker (General Motors Corp.); Merrill Watson (President, Tanners' Council of America, Inc.); Paul J. Weber (Assistant Treasurer, Hercules Power Company); Roy Wenzlick (Roy Wenzlick & Co.); Nathaniel R. Whitney (Economist, The Procter & Gamble Co.); Edward Wiest (Dean, College of Commerce, University of Kentucky); Dr. Max Winkler (New York); Wilson Wright (Armstrong Cork Co.); Charles E. Young (Manager, Statistical Department, Westinghouse Electric & Manufacturing Company) and one economist who asked that his name be withheld.

Canada's New Savings Bonds Attract Buyers

Canada Savings Bonds, which went on sale Oct. 15, are reported by the Bank of Montreal in its monthly summary, just released for publication, to have met with a very ready response. Observing that their sale marks an interesting new development in Dominion finance, the bank states that the bonds' novel and attractive features have been designed primarily to provide a peacetime investment medium for those millions of Canadians who acquired investor status through the purchase of Government wartime bonds and war savings certificates.

The new bonds are a ten-year security priced at par. Bearing a 2.75% interest coupon, they give a better return than is now available from issues of comparable term now outstanding. Their attractiveness is heightened by the fact that they may be cashed by the registered holder at par and accrued monthly interest. The bonds, which may be purchased in denominations as small as $50, are non-transferable and non-assignable. No one person may hold more than $2,000 of the new securities, although each member of a family may hold up to this limit.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If market is to advance again it must hold above the 170 Dow figure. Both bear and bull news generally known. Which will take precedence is problematic.

Anybody who thinks that Tuesday's (Oct. 15) whoop-ee-doo market is an immediate forerunner of similar markets is living in an ivory tower. That day was a reflection of Truman's speech and nothing else. The fact is that at least three days before that eventful Tuesday the market showed there was something in the wind; something that would bring higher prices. For despite the newspapers' "informative" stories there was somebody with money who was buying stocks in anticipation of the news.

I have often harped on the subject that markets do not discount the same thing twice. They act or react in anticipation. The public acts on news. It is on such action that the insiders unload. This, of course, is oversimplifying a market phenomenon, but if I tried to interpret it differently, I wouldn't have enough space to answer it.

In expectation of the advance, I recommended a list of stocks. Of his list the following were available at the prices mentioned below: Dresser Industries at 17, stop 15; Gulf, Mobile & Ohio at 12, stop 10; International Paper at 43, stop 38, and Boeing at 23, stop 21. Practically all of these came into the list on Saturday's set-back.

Now let's take a look at what the market did in the succeeding days: On Tuesday the averages went up to 176.52 after closing the previous day at 169.86. As a matter of fact what was more important was that it opened that day almost six points above the previous day's close. In doing that it left a vacuum of about four points. Markets life nature abhor vacuums and try to fill them at the earliest opportunity. On Oct. 16 the first effort to correct that situation occurred. The averages closed down 1.69. On Oct. 17 the loss was 2.59, and then came two more days with averages down about .50 for both days. The gap or vacuum was now closed.

Now the important thing to watch was the action from the gap close. The market was again in dead center. If the advance meant anything, averages had to stay above a certain predetermined point. In this case the point is 170. Breaking that level (make it 169 for insurance) the chances were that prices would go down to the old lows, around 160. If it held the chances were equally good that the market would make another effort to go through the recent highs, 177.05.

On the down-side you have news of new strikes, increased tax selling and more consumer resistance. On the up-side you have potential big earnings, and an anticipated Republican Congress to give it impetus. So far the market doesn't show which factors will play the biggest role, hence the stops.

I have purposely placed these stops some distance under the buying points. With a public in the market—and it's back again—an ordinary technical reaction can carry them lower than normal action permits. So I accordingly allowed for unusual events.

The cotton break is now page one news, as are the "reasons" for it. According to the official version, a speculator was being sold out. That to me is one of the silliest reasons yet. Investigators needed a whipping boy and the gentleman from New Orleans was apparently chosen.

Back in 1932 or so this writer was doing a daily column for a paper now extinct, and at the same time running a teletype service. Among the short sales given at the time was Kreuger and Toll and Eastman Kodak. In both cases the sales were made two days before the deaths of the heads of the companies. In both cases the results were phenomenal. As a result the writer was called to the Stock Exchange to "explain" his system. The explanation was simple. The tape showed lower prices, how much and for what reason the writer didn't know, and then, as now, wasn't interested. The analogy between the cotton break of last week and the market break of years ago seems close. The actual reason for the cotton break will not become known for some time. I don't think a single speculator had anything to do with it; no more than the writer was responsible for the breaks in certain stocks in 1932.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

World Bank Faces Crucial Decisions

(Continued from page 2082)

set such powerful precedents that subsequent changes will meet strong resistance.

The significance of these forthcoming decisions has been duly recognized in the interested circles. As a result, there has been a good deal of gossip and "confidential" reports about these policies most of which apparently was designed to serve the interests of particular groups.

Most appropriately, the Bank has now taken the opportunity to intervene in this "whispered" debate and to make a statement on some important issues of credit policy. That this statement should have been made by a representative of one of the prospective borrowers seems to be a very adroit move.[1] For it will be much easier to enforce proposals considered equitable by borrowers themselves rather than originating from creditor countries which recently have been under heavy attack of ganging up upon helpless loan applicants.

Some important issues facing the Bank's credit policy decisions have been discussed by the present writer some time ago with special attention to the provisions of the Bank Charter.[2] It was pointed out that the Bretton Woods Agreements were well designed to make posisble a satisfactory credit policy; however, there was every expectation that the Bank would be under heavy pressure to relax the rules and to grant exceptions for one reason or another. The statement made by the Bank's representative should be considered from this angle for an appropriate appraisal.

Use of Loan Funds Shall Be Supervised

Mr. Beyen restated the basic rule that loans will be given "for the financing of WELL DEFINED PROJECTS of reconstruction and development" and will not be granted without "careful study of such projects and the use of the money shall be carefully supervised."

He added during a press conference following his prepared address that "the bank was studying policing methods for its transactions so that the money advanced for definite purposes would actually be used in accordance with the terms of the contract and he was sanguine on the practical steps to achieve this end."[3] Such procedure would be in accordance with the strict provisions of Article III, Section 5(b) of the Charter.

Undoubtedly, it was useful to remind prospective borrowers of these rules as laid down by the Charter. However, bankers are well aware of the considerable difficulties in enforcing similar terms in commercial loan agreements particularly if the loan proceeds are to be used for many diversified purposes and over a lengthy period of time. Customers often resent the unavoidable red tape and interference with their business as may result from enforcement of such terms. The World Bank will certainly have rather more than less troubles and it will be under considerable pressure to agree to procedures that may prove to be less effective than would be advisable from a creditor's standpoint.

Even more important is the interpretation of the term "well defined projects" as used by Mr. Beyen. Article III, Section 4 (VII) of the Charter states that loans should be made for the purpose of "specific projects" "except in special circumstances." Are Mr. Beyen's "well defined projects" the equivalent of the Charter's "specific projects"? Apparently they are, but some astute lawyers may feel differently and they will have no doubt that the "special circumstances" do offer them a first class chance to argue away the "specific" requirement.

Yet all these issues reflect merely special instances of the real crucial problem which is SEGREGATION.

Segregation as the Crucial Issue

As was pointed out in the previous article, the Charter provisions are not very clear as far as these determining questions are concerned. This is quite natural, for the Charter is a compromise solution of conflicting ideas and interests which could be adopted under the unanimity rule only. As a result, it will be up to the Bank management to decide how the Charter should be interpreted and these decisions will be reflected in the terms of the first loan agreements.

There can hardly be any doubt, that as a lending organization the Bank should set forth a clear-cut rule of segregation and should make every effort to enforce it as strongly and rigidly as possible. This would mean that all disbursements would be made for specific purposes and in such a way that the goods produced or purchased with the proceeds of a loan would be available and actually used as a collateral for the unpaid portion of a loan.

It may be asserted that this policy would be in agreement with the spirit of the Charter and the writer feels strongly that this is actually true but he has to admit that this opinion is not fully supported by the actual words of the Charter which may be interpreted in a different way if the creditor viewpoint is given less weight. The "special circumstances" — clause makes such interpretation entirely feasible.

Disregarding Creditor Interests May Hurt Borrowers

Opponents of the doctrine of segregation will be motivated mainly by considerations of national prestige and sovereignty. They will argue that it is incompatible with the position of an independent and financially solvent government to permit any international organization the amount of interference and control as may be inevitable for the enforcement or segregation. They will advance innumerable administrative and legal obstacles and difficulties. And they will certainly plead the existence of "special circumstances."

They will attempt to have the proceeds of the loan transferred into their Treasury accounts and will use them for the purchase of materials and foodstuffs rather than for the importation of durable goods. In this way, there would be no possibility of using the purchased goods as collateral for they would simply disappear within a short time.

There is no doubt that these very arguments will be advanced quite early in the game and the difficulties the Bank will face in making its crucial decisions are fairly obvious.

However, there is one point which should greatly strengthen the position of those in favor of segregation.

Market experts are in general agreement that World Bank obligations will have to be sold mainly to institutional investors; only they will be in a position to absorb the large volume of bonds the Bank will float within the next few years. However, before this can be done, the legislatures of the several states will have to pass enabling statutes which will permit placing of World Bank bonds upon the lists of eligible investments (New York State has already passed such a law).

Considerable opposition can be expected in many legislatures if the debates on the British loan can be considered a precedent. Doubts will be expressed as to whether accumulated small savings can be safely invested in an organization lending abroad in view of the bad experiences of the inter-war period. To refute these assertions proof will have to be furnished that the Bank and its prospective borrowers are making and will make every effort to safeguard these obligations in which savings banks and insurance companies have invested their funds. Evidence that the doctrine of segregation is being enforced and that ample collateral is being provided for would go far in silencing such opposition.

The Bank as well as the borrowing governments will have to be fully aware of this situation. After all, nobody would suffer more than the prospective borrowers if opposition to investments in World Bank bonds should develop among the people at large. Everything possible will have to be done to avoid such a situation.

Mr. Beyen, in his address, has pointed to the cooperative character of the World Bank which has been also emphasized in the aforementioned article. If all interested parties will keep that spirit of cooperation constantly in mind, satisfactory solutions will be found for even the most complex problem and the Bank will prove its worth in the years to come by financing loans to Governments for "prudent and productive expenditure within their territory" as stated recently by Hugh Dalton, British Chancellor of the Exchequer and newly elected Chairman of the Board of Governors of the World Bank.[4]

---

1 Address by J. W. Beyen, Dutch Executive Director of the Bank before the Savings Bank Association of New York. Reprinted in the "Commercial and Financial Chronicle," Oct. 17, 1946.

2 "World Bank's Success Dependent on Credit Policy," "Commercial and Financial Chronicle," Aug. 22, 1946.

3 According to a report in the New York "Herald Tribune" of Oct. 16, 1946.

4 According to a report in the New York "Times" of Oct. 17, 1946.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.
June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

Acme-Hamilton Mfg. Corp., Trenton, N. J.
Aug. 29 filed 50,000 shares 5% cumulative preferred stock ($20 par) and 82,000 shares ($1 par) common stock. **Underwriters**—G. L. Ohrstrom & Co. and S. R. Livingstone & Co. **Offering**—Company is offering the 50,000 shares of preferred, while the 82,000 shares of common are being sold for the account of certain stockholders. **Prices**—$20 a share for the preferred, and $11.50 a share for the common. **Proceeds**—Company will apply proceeds to fully discharge secured demand notes, mortgage notes and partial discharge of debenture indebtedness. Offering temporarily postponed.

Aerovox Corp., Bedford, Mass.
Aug. 22 filed $1,500,000 of 5% sinking fund debentures, due 1961, and 50,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Inc., and Dempsey & Co., Chicago. **Offering**—The debentures will be offered publicly. The common shares will be issuable upon the exercise of stock purchase warrants for purchase of common stock at $2 a share above the bid price of such common on the effective date of the registration. Company will sell warrants for 25,000 common shares to the underwriters at 10 cents a warrant. The remaining warrants will be sold to officers and employees of the company. **Price**—Debentures at 98. **Proceeds**—Company will use $1,025,000 of proceeds of debs. for payment of an indebtedness to Bankers Trust Co., New York. Balance, will be added to working capital. Offering postponed.

Air Lanes, Inc., Portland, Me.
Oct. 9 (letter of notification) 15,000 shares each of preferred and common. Offering price, $10 a preferred share and 1 cent a common share. If offerings are made in the State of Maine, they will be made by Frederick C. Adams & Co., Boston. To complete plant and equipment and to provide working capital.

American Broadcasting Co., Inc., N. Y.
June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Cladmetals Co., of Pittsburgh
July 8 filed 196,500 units comprising 196,500 shares of voting common stock ($1 par) and 589,500 shares of non-voting common stock ($1 par), each unit consisting of 1 share of voting common and 3 shares of non-voting common. **Underwriters**—None—the company intends to distribute its common stock directly to the public. **Offering**—Price $6 per unit. **Proceeds**—Net proceeds estimated at $1,179,000 will be used to pay a mortgage on plant, pay accounts payable, purchase equipment, for building alterations and working capital.

American Colortype Co., Clifton, N. J.
Aug. 12 filed 30,000 shares ($100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. Price by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite.

American Limoges China Corp., New York
Sept. 25 filed 75,000 shares of common stock (par $1). **Underwriter**—Riter & Co. **Proceeds**—Stock being sold for account of Harry Bloomberg, President. **Price**—By amendment.

American Locomotive Co., New York
July 18 filed 100,000 shares each of $100 par prior preferred stock and $100 par convertible second preferred stock. **Underwriting**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem $20,000,000 of 7% cumulative preferred stock at $115 a share plus accrued dividends. Indefinitely postponed.

• American Telephone & Telegraph Co., New York
Oct. 17 filed $350,377,300 15-year 2¾% convertible debentures, due 1961, and 3,503,773 shares of common issuable upon conversion of the debentures. **Underwriting**—No underwritng. **Offering**—Debentures will be offered for subscripton to stockholders of record Nov. 8 in the ratio of a $100 principal amount of debentures for each 6 shares of stock held. Company will withdraw from registraton any debentures not subscribed for and the shares of common into which they would have been convertible. The principal amount of debentures offered will be $350,377,300 in the event that all shares of capital stock reserved for issuance upon conversion of 15-year 3% convertible debenture bonds are issued on or before Nov. 8, 194?. At Oct. 10, the company had 565,632 shares reserved for such issuance and 20,457,011 shares were outstanding, a total of 21,022,643 shares. **Price**—$100 for each $100 principal amount of debentures. **Proceeds**—The proceeds will be used to provide subsidiary and associated companies with funds for extensions, additions and improvements to plants, for extensions and improvements to company's own plant and for general corporate purposes.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. Underwriters—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment.

American Zinc, Lead & Smelting Co., St. Louis
Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders of record on Nov. 1 in the ratio of one additional share for each two shares held. The subscription offer will expire on Nov. 21. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital.

Ansley Radio Corp., Trenton, N. J.
Aug. 29 filed 70,000 shares of Class A cumulative convertible preferred stock ($5 par) and 70,000 shares of common (50c par) and warrants for 50,000 shares of common stock to be sold to underwriter at 5c per share warrant and exercisable through Oct. 1, 1951 for purchase of common at $1 per share. **Underwriter** — Amos Treat & Co. **Offering**—To the public in units of one share of preferred and one share of common. **Prices**—$7 per unit of one share of preferred and one share of common. **Proceeds**—To retire bank loans of approximately $100,000, to purchase wood-working machinery and for working capital. Temporary postponed.

Arkansas Western Gas Co.
June 5 filed 33,639 shares of common stock (par $5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago
July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock. Temporarily postponed.

Artcraft Hosiery Co., Philadelphia
Sept. 27 filed 53,648 shares ($25 par) 4½% cumulative convertible preferred and 150,000 shares ($1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. **Underwriter**—Newburger & Hano, Philadelphia. **Price**—$25.50 a preferred share and $12 a common share. **Proceeds**—Company will receive proceeds from the sale of all of the preferred and 100,00 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of $2,300,000 will be used by the company to pay off bank notes of about $1,100,000 and to purchase additional machinery and equipment in the amount of $1,200,000. Offering date indefinite.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. **Underwriter** — White, Weld & Co., New York. **Price** — By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

Berbiglia, Inc., Kansas City, Mo.
Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price, $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Black, Sivalls & Bryson, Inc. (10/28-31)
July 29 filed 100,000 shares ($1 par) common stock. **Underwriters**—F. S. Yantis & Co., Inc., and H. M. Byllesby and Co. **Offering**—Shares were sold to the underwriters on July 29, 1946 at $10.70 a share. They will be offered to the public at $12.50 a share.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action at this time.

Boston Store of Chicago, Inc.
Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Inc., Philadelphia
Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

Braunstein (Harry), Inc., Wilmington, Del.
Sept. 25 filed 12,500 shares ($25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Price** — $25 a share for preferred and $11 a share for common. **Proceeds**—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by

(Continued on page 2124)

(Continued from page 2123)

present stockholders. Net proceeds to the company, estimated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities.

● Brewers Best Associates, Inc., N. Y. (10/28)
Oct. 18 (letter of notification) 52,000 shares of capital stock (par $1). **Underwriter**—W. H. Bell & Co., Inc., Philadelphia. Price, $2.875 per share. Purpose, working capital. **Business**—Company plans to pursue the exploitation of a plan for brewing and marketing a uniform premium beer to be known as "Brewers' Best Premium Lager Beer."

Briggs & Stratton Corp., Milwaukee
Aug. 9 filed 76,000 shares (no par) capital stock. **Underwriters**—A. G. Becker & Co., Inc., Chicago. Price by amendment. **Proceeds**—Shares are being sold by stockholders. Temporarily postponed.

Brooklyn (N. Y.) Union Gas Co.
May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

Brown & Bigelow, St. Paul
July 19 filed 35,000 shares of 4½% ($100 par) cumulative preferred stock and 427,558 shares ($1 par) common stock. **Underwriters**—Reynolds & Co., New York. **Offering**—19,079 preferred shares will be offered to 6% preferred stock on a share for share exchange basis. Shares not issued in exchange plus 15,921 additional will be offered to the public. Of the total common, the company is selling 67,500 shares to underwriters for public offering and 55,177 shares are to be offered in exchange for outstanding capital stock of Consolidated Printing Ink Co., Quality Park Box Co., Inc., and John Beissel Co., which will become subsidiaries. In addition, stockholders of the company are selling 322,521 shares to the underwriters for public offering. **Price**—Preferred $103.50 a share; common $26.50 a share. **Proceeds**—Net proceeds to the company will be used to redeem unexchanged shares of 6% preferred at 110% and for increasing general corporate funds. Offering indefinitely postponed.

Brunner Manufacturing Co., Utica, N. Y.
Sept. 13 filed 180,185 shares ($1 par) common. **Underwriters**—George R. Cooley & Co., Inc., Albany, N. Y., and Mohawk Valley Investing Co., Inc., Utica. **Offering**—Of the total, 110,000 shares will be offered publicly and the remaining 70,185 shares will be offered in exchange for 23,395 shares of Class B common of American Gas Machine Co., of Albert Lea, Minn., on the basis of three shares for each Class B share. **Price**—$10.25 a share. **Proceeds**—Net proceeds will be used to redeem the outstanding Class A common shares of American Gas and the outstanding preferred stock of Brunner.

Buffonta Mines Ltd., Toronto, Can.
Sept. 12 filed 1,000,000 shares $1 par (Canadian currency) common. **Underwriting** — George F. Jones Co., Inc., Buffalo, N. Y. **Price**—$1 a share, American currency. The underwriting commission will amount to 20 cents a share. **Proceeds**—For development of gold mining properties.

Burgess-Norton Mfg. Co., Geneva, Ill.
Sept. 23 filed 10,000 shares ($50 par) 5% cumulative preferred and 120,000 shares ($2.50 par) common. **Underwriter**—H. M. Byllesby and Co. (Inc.), Chicago. **Offering**—Of the common, 110,000 shares are being sold by stockholders. The remaining 10,000 shares are reserved for issuance upon the exercise of warrants attached to the preferred. Price by amendment. **Proceeds**—To reimburse treasury for purchase of machinery and equipment at a cost of $98,386 and payment for new building being constructed at estimated cost of $223,700; balance for purchase of additional machine tool equipment.

California Oregon Power Co.
May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

Cameron Aero Engine Corp., New York
Oct. 2 (letter of notification) 60,000 shares of common. **Offering**—Price $2 a share. **Underwriter**—R. A. Keppler & Co., Inc., New York. **Proceeds**—To demonstrate the Cameron Engine by flight tests in company-owned plane.

Camfield Mfg. Co., Grand Haven, Mich.
July 29 filed 220,000 shares ($1 par) common stock. **Underwriters**—Gearhart & Co., Inc. **Offering**—Of the shares registered, 100,000 are issued and outstanding and will be sold to the underwriters by three stockholders at $4.50 a share for their own account. The remaining 120,000 shares are being offered by the company. Price $4.50 a share. **Proceeds**—Company's share to pay renegotiation refund in amount of $180,000 to the U. S. Government, and for additional working capital. Offering date indefinite.

● Camro Company, Hoboken, N. J. (10/28)
Oct. 21 (letter of notification) 19,950 shares of common stock (par $1). **Underwriter** — Leason & Co., Inc., Chicago. Price, $7.25 per share. Purpose, working capital.

Canadian Admiral Corp. Ltd., Toronto
July 8 filed 150,000 shares ($1 par) common stock. **Underwriter**—Dempsey & Co. **Offering**—Stock initially will be offered to common stockholders of Admiral Corp. at $3 a share. **Proceeds**—$75,000 is earmarked for purchase of machinery and equipment, and tools, jigs, dies and fixtures; balance will be available for corporate purposes. Indefinitely delayed.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario
June 24 filed 400,000 shares of common stock. **Underwriter**—Registrant will supply name of an American underwriter by post-effective amendment. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Electric & Gas Co., Sioux Falls, S. D.
May 29 filed 35,000 shares of $2 cumulative preferred stock, series A (no par), but with a stated value of $50 a share, and 175,000 shares of common stock (par $1). **Underwriter**—Paine, Webber, Jackson & Curtis, Chicago. **Offering**—The stocks will be offered to the public at prices to be supplied by amendment. **Proceeds**—To pay off $3,000,000 loan from First National Bank Chicago and Harris Trust and Savings Bank, Chicago, balance working capital. Offering deferred indefinitely.

Central Illinois Public Service Co., Springfield, Ill.
Aug. 14 filed 150,000 shares ($100 par) cumulative preferred stock. **Underwriter**—To be determined by competitive bidding. Probable bidders include Dillon, Read & Co., Inc.; Smith, Barney & Co., White, Weld & Co.; Glore, Forgan & Co.; Lehman Brothers and Lazard, Freres & Co. (jointly). **Offering**—New preferred stock will be offered on a share for share exchange basis to holders of its old preferred stock other than the Middle West Corp. which holds 38,564 shares of such stock. If more than 150,000 shares of old preferred stock are deposited for exchange the number of shares to be exchanged will be pro rated. Shares of new preferred not issued in exchange will be sold to underwriters. **Proceeds**—Net proceeds from sale of shares not issued in exchange will be used to redeem old preferred at $110 a share and accrued dividends.

Central & South West Utilities Co.
Aug. 30 filed its ($5 par) capital stock. Company's name is to be changed by post effective amendment to Central & South West Corp. (Del.) Prospectus will be issued in connection with the public invitation for sealed bids for the purchase of a sufficient number of such shares as same will be constituted upon consummation of a proposed merger into the issuer of American Public Service Co., to provide funds for retiring the preference shares of the issuer and American Public Service Co., not exchanged for shares of the merged corporation. Underwriters by amendment. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (jointly). Price by amendment.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21 filed 90,000 shares (no par) common. **Underwriters** — Glore Forgan & Co., Chicago. **Offering** — Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

Chase Candy Co., St. Joseph, Mo.
Sept. 12 filed $2,500,000 of 4% sinking fund debentures, due 1961; 100,000 shares ($20 par) 5% convertible cumulative preferred, and 170,000 shares ($1 par) common. **Underwriters** — F. S. Yantis & Co., Inc. and H. M. Byllesby and Co. (Inc.), Chicago, and Herrick Waddell & Co., Inc., New York. **Offering**—Common will be offered for subscription at $10 a share to common stockholders at rate of one share for each two shares held of record on Oct. 19. Shares of common not subscribed for will be offered for sale to officers, directors and employees. **Price**—The debentures will be offered at 100 and the preferred at $20 a share. The common will be offered to stockholders at $10 a share. Pursuant to the common stock subscription rights, F. S. Yantis & Co. will purchase 100,000 shares of the 170,000 shares of common for investment. Any of the remaining 70,000 shares which are not subscribed for by stockholders and officers, directors and employees will be sold to the underwriters. **Proceeds**—Net proceeds, estimated at $5,856,125, will be used to pay the balance of the purchase price, amounting to $5,150,000, for acquisition of the candy manufacturing business operated by Clinton Industries, Inc., as its national candy division with plants in St. Louis, Mo., and Chicago. The balance will be used to redeem its 4% serial debentures and for additional working capital.

Clary Multiplier Corp., Los Angeles
Sept. 3 filed 150,000 shares 5½% cumulative convertible preferred stock (par $5). **Underwriting**—Maxwell, Marshall & Co., Los Angeles. **Price**—$5.25 a share. **Proceeds**—Net proceeds, estimated at $650,000, will be used to repay a $90,000 bank loan, to construct a factory and office building at San Gabriel, Calif., at a cost of about $250,000, and to purchase additional equipment, estimated at $250,000. The balance will be added to working capital. Offering temporarily postponed.

Climax Industries, Inc., Chicago
Aug. 28 filed 150,000 shares 5% convertible cumulative preferred ($10 par) and 250,000 shares ($1 par) outstanding common stock. **Underwriter**—Brailsford & Co. **Offering**— company is offering the preferred and General Finance Corp., issuer's sole stockholder, is offering the common for its own account. Price of preferred $10 per share; price of common $4 per share. Proceeds of preferred to pay company's indebtedness to General Finance Corp., purchase equipment and real estate and for working capital. Indefinitely postponed.

Colonial Sand & Stone Co., Inc., N. Y.
August 15 filed 300,000 shares ($1 par) common stock. **Underwriters**—Emanuel, Deetjen & Co., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital. Indefinitely postponed.

Colorado Milling & Elevator Co., Denver, Colo.
Aug. 20 filed 70,000 shares ($50 par) cumulative convertible preferred stock. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Prior to the proposed issue of preferred stock, the company plans to call its $3 cumulative convertible preferred stock for redemption at $55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Indefinitely postponed.

Columbia Aircraft Products Inc., Somerville, N. J.
June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriters**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Company offered 59,585½ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. The offering to common stockholders

NEW ISSUE CALENDAR

(Showing probable date of offering)

October 24, 1946

Baltimore & Ohio RR.
12 noon (EST)............Equip. Trust Ctfs.
Foote Mineral Co..........Preferred and Common

October 25, 1946

Helicopter Air Transport Inc..........Capital Stock

October 28, 1946

Black, Sivalls & Bryson Inc..........Common
Brewers Best Associates, Inc..........Capital Stock
Camro Co..........Common
Dumont Electric Corp..........Common
El Paso Electric Co., 11:30 a.m. (EST)..........Bonds
Leader Enterprises Inc..........Pref. and Common
Merchants Factors Corp..........Preferred
Pacific Gas & Electric Co., 10 a.m. (PST)..........Bonds
Sharot-May Co..........Common

October 29, 1946

Atchison Topeka &
Santa Fe..........Conditional Sales Agreements
Central of Georgia Ry.
12 noon (EST)..........Equip. Trust Ctfs.
Northwest Airlines Inc..........Common

October 30, 1946

Espey Manufacturing Co..........Common
Standard Brands, Inc..........Preferred

November 1, 1946

People's Service Corp..........Common
Zatso Food Corp..........Preferred

November 4, 1946

Felt & Tarrant Mfg. Co..........Common
Films Inc..........Class A and Common

November 5, 1946

Crucible Steel Co. of America..........Bonds
Dow Chemical Co..........Debentures

November 6, 1946

Pari-Mutuel Totalizer Corp..........Common

November 7, 1946

Chicago & North Western Ry.
12 noon (CST)..........Equip. Trust Ctfs.
Maltine Co..........Preferred

November 25, 1946

Plastic Molded Arts Inc..........Pref. and Common

excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414⅔ shares and shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $55,000 for payment of Federal taxes; $250,000 for payment of a loan; $50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary, balance working capital.

● **Columbia Medical Building Corp., Washington, D. C.**
Oct. 17 (letter of notification) $300,000 of unsecured notes. Offering price, at par. No underwriting. Partial payment for construction of new annex to present office building.

● **Comfort Spring Corp., Baltimore, Md.**
Oct. 21 (letter of notification) 150,000 shares ($1 par) class B stock. Price, $1 a share. No underwriter. To be offered by the company directly to the purchasers. For general corporate purposes.

Commonwealth Aviation Corp., New York
June 28, 1946 filed 20,000 shares ($10 par) 4½% cumulative convertible preferred stock. **Underwriters**—To be supplied by amendment. **Price**—$12 a share of preferred and $7 a share of common. **Proceeds**—Estimated net proceeds of $3,420,000 will be used for working capital.

Commonwealth Telephone Co., Madison, Wis.
Sept. 23 filed 16,071 shares ($100 par) $4 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Offering**—Shares will be offered for exchange for $5 cumulative preferred, on a share for share basis, plus cash adjustment. Shares not exchanged will be sold to underwriters. Price by amendment. **Proceeds**—To redeem at $110 a share, plus divs., all unexchanged old shares.

Consolidated Hotels, Inc., Los Angeles
Aug. 9 filed 97,363 shares ($25 par) 4½% convertible preferred stock and 150,000 shares (50c par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$25 a share of preferred and $9 a share of common. **Proceeds**—Of the total, the company will receive proceeds from the sale of 851 shares of preferred. The remaining shares of preferred and all of the common are being sold by Ben Weingart, President and director. Company will add the proceeds to working capital.

Consumers Power Co., Jackson, Mich.
Aug. 9 filed an unspecified number of shares (no par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Shields & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly). Price by amendment. **Sale Postponed**—The company on Sept 19 postponed indefinitely the sale of the stock. Bids were advertised for Sept. 24.

● **Continental Mining Co., Kellogg, Ida.**
Oct. 14 (letter of notification) 1,000,000 shares (10c par) common. Price 12½ cents a share. No underwriting. To purchase plant machinery and equipment and for working capital.

Continental Motors Corp., Muskegon, Mich.
July 8 filed 250,000 shares 4¼% cumulative convertible preferred stock, Series A ($50 par). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price by amendment. **Proceeds**—For rearrangement and expansion of the company's manufacturing plants, acquisition of additional tools and facilities, and for additional working capital requirements. Offering temporarily postponed.

Continental-United Industries Co., Inc.
Aug. 2 filed 150,000 shares ($1 par) common. **Underwriters**—Aronson, Hall & Co. Price $8.25 per share. **Proceeds**—To repay demand loans and for general funds. (Originally company filed for 80,000 preferred shares par $25 and 350,000 common shares.)

Cooper Tire & Rubber Co., Findlay, Ohio
July 17 filed 60,000 shares ($25 par) 4½% cumulative convertible preferred. **Underwriters**—Otis & Co. and Prescott & Co., Inc. **Offering**—To the public. **Price**—$25 a share. **Proceeds**—Estimated net proceeds of $1,356,200 will be used to redeem its outstanding 4% debentures, due 1967, to pay certain debts and for additional equipment, manufacturing space and working capital. Offering date indefinite.

Copco Steel & Engineering Co., Detroit
Aug. 19 filed 115,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Son, Inc., New York. Price by amendment. **Proceeds**—Of the shares being offered company is selling 100,000 shares and 15,000 shares are being sold by a stockholder. The company will use its proceeds to provide additional factory space and purchase machinery and equipment and to construct a new office building. The balance will be added to working capital. Offering date indefinite.

Crawford Clothes, Inc., L. I. City, N. Y.
Aug. 9 filed 300,000 shares ($5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

● **Creameries of America, Inc., Los Angeles**
Oct. 17 filed 116,986 shares ($1 par) common. **Underwriters**—Kidder, Peabody & Co., New York; and Mitchum, Tully & Co., Los Angeles. Price by amendment. **Proceeds**—Of net proceeds, $1,000,000 will be used for additions and improvements to company's plants and for purchase of additional machinery and equipment, and $900,000 will be applied to the payment of outstanding bank loans. The remainder will be added to working capital. **Business**—Production of dairy products.

● **Crooksville (O.) China Co.**
Oct. 14 (letter of notification) 2,000 shares of 4% cumulative Class A preferred. **Offering**—Price $100 a share subject to the exchange of 1,100 shares of company's 6% and 7% preferred. No underwriting. For retirement of preferred.

● **Crucible Steel Co. of America, N. Y. (11/5)**
Oct. 18 filed $25,000,000 of first mortgage sinking fund bonds, due 1966. **Underwriter**—The First Boston Corp., New York. Price by amendment. **Proceeds**—Net proceeds will be used to redeem on or before Dec. 31, 1946, company's $12,217,000 of 15-year 3¼% sinking fund debentures, due 1955, at 102. The balance will be used for purchase or construction of property additions or rearrangement of existing facilities or for purchase or redemption of the bonds presently offered. **Business**—Manufacture of wide variety of types of steel.

Cyprus Mines, Ltd., Montreal, Canada
May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Danly Machine Specialties, Inc., Cicero, Ill.
July 26 filed 62,000 shares ($25 par) 5% cumulative convertible preferred stock and 71,950 shares (par $2) common stock 40,000 by company and 31,950 by certain stockholders. **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. Price by amendment. **Proceeds**—Company will use proceeds, together with a $1,000,000 bank loan, to purchase machinery, buildings and to retire bank indebtedness. Offering date indefinite.

● **Davisbilt Steel Joist, Inc., Washington, D. C.**
Oct. 14 (letter of notification) 1,471 shares of no par capital stock. **Offering price**—$20 a share. No underwriting. To advance interests of company.

● **Deep Sea Trawlers, Inc., Seattle, Wash.**
Oct. 7 (letter of notification) 1,000 shares ($100 par) common. **Offering**—Price $100 a share. No underwriting. For construction and operation of deep sea trawlers.

Delta Chenille Co., Inc., Jackson, Miss.
Oct. 2 filed 300,000 shares (20¢ par) common. **Underwriters**—Names by amendment. Price, $8 a share. **Proceeds**—Of total, company is selling 150,000 shares and remaining 150,000 shares are being sold by Apponaug Manufacturing Co., Inc. Principal stockholder estimated net proceeds to company of $1,007,913 will be added to general funds to be applied for corporate purpose. Company anticipates expenditures of $300,000 in 1946 and $300,000 in 1947 for equipping and absorbing costs of starting operations of four plants, two of which already have been contracted for. The balance will be added to working capital.

● **DeMornay-Budd, Inc., New York**
Oct. 15 (letter of notification) 270,000 shares (20c par) common. **Offering**—Price $1 a share. No underwriting. For expansion of plant and business.

Derby Oil Co., Wichita, Kans.
July 19 filed 131,517.3 shares ($8 par) common stock. **Underwriting**—H. M. Byllesby and Co., Inc., Chicago, and Nelson Douglass & Co., Los Angeles. Price by amendment. **Proceeds**—Part of the estimated net proceeds will be used to pay a bank loan. The remainder, with other funds, will be used to expand a drilling and exploration program. Indefinitely postponed.

Detroit Typesetting Co., Detroit, Mich.
Sept. 25 filed 70,920 shares ($1 par) common. **Underwriter** — C. G. McDonald & Co., Detroit. **Price** — $5.50 a share. **Proceeds** — Stock is being sold by six shareholders who will receive proceeds.

Dictaphone Corp., New York
July 25 filed 65,347 shares (no par) common stock. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Stock will be offered to stockholders at rate of one-half share for each share held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—To be added to general funds. Temporarily postponed.

Dobbs Houses, Inc., Memphis, Tenn.
Sept. 27 filed 75,000 shares ($1 par) common. **Underwriter**—Emanuel, Deetjen & Co., New York. **Price**—By amendment. **Proceeds**—Net proceeds will be used for expansion of business consisting of airline catering and restaurant and coffee shop operations. Date of offering indefinite.

● **Dormitzer Electric & Manufacturing Corp., Boston.**
Oct. 18 (letter of notification) 90,000 shares of $1 par common. Price, $3.25 a share. No underwriting. For working capital.

● **Dow Chemical Co., Midland, Mich. (11/5)**
Oct. 17 filed $30,000,000 15-year debentures, due 1961. **Underwriter**—Smith, Barney & Co., New York. Price by amendment. **Proceeds**—To be added to cash funds to be expended for general corporate purposes.

Drayer-Hanson, Inc., Los Angeles
Aug. 12 filed 80,529 shares ($1 par) class A stock, convertible into common stock (par $1). **Underwriters**—Maxwell, Marshall & Co., Los Angeles. **Price**—To public $10.25 a share. **Proceeds**—Net proceeds, estimated at $694,761, will be used to pay off loans and accounts payable. Offering temporarily postponed.

● **Duluth (Minn.) Airlines, Inc.**
Oct. 15 (letter of notification) 12,000 shares ($5 par) Class A common and 8,000 shares ($5 par) Class B common. **Offering**—Price $5 a unit. No underwriting. For purchase of additional flight and servicing equipment, payment of deferred salary balances, for working capital and other expenses.

Dumont Electric Corp., New York (10/28)
Aug. 29 filed 94,000 shares of common stock (par 10c). **Underwriter** — First Colony Corp. **Offering** — 25,000 shares being offered by Dumont Electric Corp., and 69,000 shares by Dumont Electric Co., a limited partnership. Price, $6 per share. **Proceeds**—Net proceeds from the sale of the company's 25,000 shares will be for general corporate purposes.

● **Durasite Corp., Clearwater, Fla.**
Oct. 11 (letter of notification) 99,000 shares of common and purchase warrants covering 50,000 shares of common. **Offering**—Price $3 a common share and five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For machinery, plant renovation and working capital. Offering date indefinite.

El Paso (Texas) Electric Co. (10/28)
Sept. 27 filed $6,000,000 first mortgage bonds, due 1976. **Underwriter**—By competitive bidding. Probable bidders include Stone & Webster Securities Corp.; Halsey, Stuart & Co. Inc. **Proceeds**—Net proceeds together with general funds, will be applied to the redemption of its $6,500,000 of first mortgage bonds, Series A, 3¼%, due 1970, at 108. **Bids Asked**—Bids for the purchase of the bonds will be received up to 11:30 a.m., EST, Oct. 28 at office of Epsco, Inc., 90 Broad St., New York City.

● **Elgin (Ill.) Sweeper Co.**
Oct. 16 (letter of notification) 57,462 shares (no par) common. To be offered in exchange for outstanding prior preference stock (no par) on basis of 6 shares of common for each share of prior preference. Concurrently, holders of prior preference are given option to surrender their stock and receive $25 in cash and one

(Continued on page 2126)

(Continued from page 2125)
share of common in exchange. Mullaney, Ross & Co., Chicago, are offering to purchase the shares of common to be recived by stockholders accepting this option at $5 a share.

Empire Millwork Corp., New York
Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders. Offering temporarily postponed.

● **Equitable Life & Casualty Insurance Co., Salt Lake City**
Oct. 16 (letter of notification) 90,000 shares of common. To be offered to policyholders at the rate of 11 shares per $1,000 of insurance at $2 a share. No underwriting. To raise capital and surplus required by law to qualify an old line legal reserve capital stock life insurance company.

Ero Manufacturing Co., Chicago
Sept. 5 filed 105,000 shares common stock (par $1). **Underwriter**—Straus & Blosser, Chicago. **Price**—$11.50 a share. **Proceeds** — Shares are being sold by stockholders.

● **Espey Manufacturing Co., Inc., N. Y. (10/30)**
Oct. 14 (letter of notification) 59,500 shares ($1 par) common; stock purchase warrants, 40,000; the underwriter to designate who shall subscribe to 22,500 and the company to designate who shall subscribe to 17,500; not exercisable until the expiration of one year after public offering. **Offering**—Price $5 a common share and 5 cents a warrant. **Underwriting**—B. G. Cantor & Co., New York. For payment of debt and working capital.

Farquhar (A. B.) Co., York, Pa.
Sept. 26 filed 30,000 shares ($25 par) cumulative convertible preferred; 45,000 shares ($5 par) common; and an unspecified number of common shares to permit conversion of the preferred. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Price**—By amendment. **Proceeds** — Proceeds will be used to redeem $355,350 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages of $72,000 and $800,000 to reduce principal on outstanding bank loans.

Fashion Frocks, Inc.
July 24 filed 200,000 shares ($1 par) common stock. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—Offering does not constitute new financing but is a sale of currently outstanding shares owned by members of the Meyers family, owner of all outstanding stock. After giving effect to the sale and assuming exercise of certain warrants and an option, the Meyers family will retain ownership of approximately 58% of the common stock. Offering temporarily postponed.

Felt & Tarrant Manufacturing Co. (11/4-15)
Sept. 25 filed 251,340 shares of common stock (par $5). **Underwriters** — Lee Higginson Corp. and Kidder, Peabody & Co. **Offering** — Shares are being sold by shareholders after consummation of proposed changes in company's capitalization and the merging into the company of Comptometer Co. Price by amendment.

Fiduciary Management, Inc., Jersey City, N. J.
Sept. 27 filed 867,420 shares ($25 par) common. **Underwriter**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders on the basis of four additional shares for each one share held. **Price**—$3 a share. **Proceeds**—To increase capital so company may expand operations in the field of development and reorganization financing.

Films Inc., New York (11/4-8)
June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

● **Florida Food Products Corp., Belle Glade, Fla.**
Sept. 23 (letter of notification) 26,400 shares Class A stock (par $10) and 26,400 shares of common stock (par $1). **Underwriter**—Blair & Co. **Proceeds**—Working capital. Company was formerly known as E. H. Borchardt & Co. Issue may be placed privately.

Food Fair Stores, Inc., Philadelphia
Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital. Temporarily postponed.

● **Foote Mineral Co., Philadelphia (10/24)**
Oct. 16 (letter of notification) 1,025 shares of common and 83 shares of preferred on behalf of Norman Woodward, a director of the company, and Anita M. Woodward. **Offering**—Price $35 a common share and $100 a preferred share. **Underwriter** — Butcher & Sherrerd, Philadelphia. Proceeds go to the selling stockholders.

Foreman Fabrics Corp., New York
July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. Offering date indefinite.

Foster & Kleiser Co., San Francisco
July 29 filed 100,000 shares of $1.25 cumulative convertible preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Offering**—Underwriters are making exchange offer to holders of Class A preferred on share for share basis plus a cash adjustment. **Proceeds**—Approximately $1,060,950 for redemption of class A preferred; balance for expansion, working capital, etc. Dividend rate and price by amendment. Offering temporarily postponed.

Fresh Dry Foods, Inc., Columbia, S. C.
Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital.

General Bronze Corp., L. I. City
July 26 filed 115,000 shares of cumulative convertible preferred stock ($25 par). **Underwriters**—W. C. Langley & Co. and Aronson, Hall & Co. Price by amendment. **Proceeds**—To pay cost of acquisition, construction and equipment of new plant, and for working capital. Indefinitely postponed.

● **General Engineering and Manufacturing Co., St. Louis, Mo.**
Oct. 21 filed 50,000 shares ($10 par) 5% cumulative convertible preferred and 100,000 shares ($2 par) common. **Underwriters**—Dempsey, Tegeler & Co., and J. W. Brady & Co., St. Louis. **Price**—$10 a preferred share and $5 a common share. **Proceeds**—Net proceeds, estimated at $893,000, will be added to working capital and will be used to finance the company's new product, the "Gemco" space cooler (an air conditioning unit) and other corporate purposes. **Business**—Manufacture of shapers, which are machine tools.

Glen Industries Inc., Milwaukee, Wis.
July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. Offering temporarily postponed.

Glencair Mining Co. Ltd., Toronto, Can.
Oct. 2 filed 300,000 shares ($1 par) stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—40 cents a share (Canadian Funds). **Proceeds**—For mine development.

Glensder Textile Corp., New York
Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter** — Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

Goldring Inc., New York
Sept. 27 filed 210,000 shares (10¢ par) common. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Price**—By amendment. **Proceeds**—Company is selling 120,000 shares and 90,000 shares are being sold by shareholders. Company will use proceeds for expansion and modernization work, establishment of new retail departments and to replenish working capital. Temporary postponed.

Grand Canyon-Boulder Dam Tours, Inc., Boulder City, Nev.
Sept. 3 filed 636,500 shares ($5 par) capital stock. **Underwriting**—There will be no underwriting but Everett N. Crosby, President and James Manoil, Treasurer, will act as selling agents. **Offering**—Of the total 500,000 shares will be offered to the public and the remaining 136,500 shares will be reserved for issuance partly in payment of an indebtedness. Partly as a commission to the selling agents and partly on exercise of options. **Price**—$5 a share. **Proceeds**—For refinancing of company and for working capital and funds for development and construction program.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. **Underwriters**—H. M. Byllesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred $100 a share; common $14 a share. **Proceeds**—To retire $6 cumulative preferred, pay notes, discharge a loan. Offering temporarily postponed.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.
Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights. Offering date indefinite.

● **Halliday Stores Corp., New York**
Oct. 23 filed 100,000 shares (50c par) common. **Underwriters**—E. F. Gillespie & Co., Inc., and Childs Jeffries & Thorndike, Inc., New York. Price, $4.50 a share. **Proceeds**—For purchase of all the outstanding stock of the Benton Stores, Inc. and its affiliates from William Bookman and Maurice Hoppin pursuant to terms of a contract entered into last August 15. **Business**—Operation of stores selling women's and children's wear.

Hammond Instrument Co., Chicago
Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter**: Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

Hartfield Stores, Inc., Los Angeles
June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Hayes Manufacturing Corp., Gr. Rapids, Mich.
Feb. 27 filed 185,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. Stock acquired by selling stockholders in exchange for 432,000 shares of common stock (par $3) of American Engineering Co. **Underwriter**—By amendment. **Offering**—Price by amendment.

● **Helicopter Air Transport, Inc., Camden, N. J. (10/25)**
Oct. 18 (letter of notification) 50,000 shares of capital stock (par 10c). **Underwriter**—Putnam & Co. as to 5,500 shares; issuer plans sale of 44,500 shares for its own account. Price, $3 per share. **Proceeds**—For acquisition of additional helicopters and related equipment and working capital.

Helicopter Digest Publishing Co., Inc.
Oct. 15 (letter of notification) 10,000 shares of preferred stock (par $5) and 10,000 shares of common stock (par $1). **Underwriter**—Frank P. Hunt, 42 East Ave., Rochester, N. Y. **Price**—$6 per unit of one share of each. **Proceeds**—Purchase of machinery, paper and working capital. **Business**—Publishing.

● **Hollywood Colorfilm Corp., Burbank, Calif.**
Oct. 16 (letter of notification) 119,500 shares of ($1 par) capital. Price, $3 a share. No underwriting contract, however, 55,000 shares to be issued to or through H. R. O'Neil of Buckley Bros., Los Angeles, will be sold by one or more of the following firms: Buckley Bros.; Durand & Co., Tucson, Ariz.; J. Earle May & Co., Palo Alto, Calif.

Holt (Henry) & Co., Inc., New York
June 28, 1946 filed 20,000 shares of 4½% ($25 par) cumulative convertible preferred stock and 33,884 shares ($1 par) common stock. **Underwriters**—Otis & Co., Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—$25 a share of preferred. Price for the common by amendment. **Proceeds**—Net proceeds will be added to general funds. Offering date indefinite.

● **Hyman (Edward) Co., Los Angeles**
Oct. 12 (letter of notification) 20,000 shares of no par common. **Offering**—Price $4.50 a share. No underwriting. For working capital.

Illinois Power Co., Decatur, Ill.
June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

International Dress Co., Inc., New York
Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

Kane County Title Co., Geneva, Ill.
Sept. 25 (letter of notification) 4,000 shares of common. **Offering**—To be offered to stockholders of record Oct. 4 for subscription at $30 a share at the rate of one share for each two shares held. Subscription rights terminate Nov. 3. Any unsubscribed shares will be purchased by Chicago Title & Trust Co., a stockholder. No underwriting. For expansion of building and plant facilities.

• **Kankakee (Ill.) Citizens, Inc.**
Oct. 15 (letter of notification) $25,000 of 4% preferred stock and $25,000 4% debentures. **Offering**—Price $25 a unit. No underwriting. For working capital.

Lake State Products, Inc., Jackson, Mich.
Aug. 27 (letter of notification) 100,000 shares ($1 par) common for benefit of issuer. **Underwriter**—Keane & Co., Detroit. **Offering**—Price $2.50 a share. **Proceeds** for working capital to enable issuer to produce its product, an automatic dishwashing machine in commercial quantities. Offering delayed due to market conditions.

Langevin Co. Inc., New York
Oct. 3 (letter of notification) 39,000 shares ($4 par) convertible Class A stock and 19,500 shares (10c par) common on behalf of the company and 19,000 shares of ($4 par) Class A and 9,500 shares of the common on behalf of Carl C. Langevin, President of the Company. **Offering**—Price $5.125 a unit consisting of one share of Class A stock and one-half share of common. 3,000 units are reserved for sale to certain officers and employees of the company. **Underwriter**—Hill, Thompson & Co., Inc., New York. **Proceeds**—For payment of indebtedness and to increase working capital.

Leader Enterprises, Inc., New York (10/28-31)
Sept. 26 (letter of notification) 150,000 shares of (10¢ par) common and 57,000 shares ($5 par) 6% cumulative convertible preferred, Series A. **Price**—10 cents a common share and $5 a preferred share. **Underwriter**—Gearhart & Co., Inc., New York. **Proceeds**—To replace working capital used to promote new publication called Fashion Trades and to provide additional working capital.

Macco Corp., Clearwater, Calif.
Sept. 25 filed 100,000 shares ($1 par) capital stock. **Underwriter** — Dean Witter & Co., Los Angeles. **Price**—By amendment. **Proceeds** — To pay off outstanding bank loans.

Mada Yellowknife Gold Mines, Ltd., Toronto
June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company.

Maine Public Service Co., Preque Isle, Me.
June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

Maltine Co., New York (11/7)
Oct. 15 (letter of notification) 2,900 shares of 4½% convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co. **Price**—$100 and dividend. Proceeds together with funds from loans, will be applied to construction cost of new plant and laboratories at Morris Plains, N. Y.

May McEwen Kaiser Co., Burlington, N. C.
Aug. 22 filed 175,418 shares ($1 par) common stock. **Underwriters**—Goldman, Sachs & Co., and Hemphill, Noyes & Co. **Price**—By amendment. **Proceeds**—Net proceeds go to 11 shareholders who are selling the stock being registered. Offering temporarily postponed.

• **Merchants Factors Corp., New York (10/28)**
Oct. 21 (letter of notification) 2,877½ shares 7% cumulative and participating preferred stock (par $100). **Underwriter**—None at present but company may employ some individuals to promote the sale of the stock. Price, $100 per share. Purpose, working capital.

Michigan Gas & Elec. Co., Ashland, Wis.
June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Michigan Steel Casting Co., Detroit
June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Cray, McFawn & Co., Detroit. **Offering**—To be offered publicly at $8.25 a share. **Proceeds**—Purchase additional facilities, expansion, etc. Offering indefinitely postponed.

• **Midas Yellowknife Gold Mines Ltd., Toronto, Canada**
Oct. 21 filed 1,250,000 shares ($1 par) common. **Underwriter**—R. J. Hale, East Aurora, N. Y. **Offering**—Of the total company is selling $1,000,000 shares and the remaining 250,000 shares are being sold for the account of the principal underwriter, brokers and dealers, which shares they will receive as additional compensation on the basis of 250 shares for every 1,000 shares sold for the company. **Price**—60 cents a share. The underwriters will receive a discount on the 1,000,000 shares of 15 cents each. **Proceeds**—For exploration and mine development work. **Business**—Mining.

Mississippi Fire, Casualty & Surety Corp.
August 19 (letter of notification) 14,000 shares ($10 par) common stock, offering price $20 a share. **Underwriter**—Clany M. Seay, Jackson, Miss. will undertake to obtain signatures authorizing subscriptions for the stock to create capital and surplus for operation of business. Company is to be organized in Mississippi.

Mountain States Power Co.
June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

Muehlebach (George) Brewing Co., Kansas City, Mo.
Sept. 25 filed 41,327 shares ($25 par) 5% cumul. participating preferred and 40,000 shares ($1 par) common. **Underwriters** — Headed by Stern Brothers & Co., Kansas City. **Offering** — Preferred and 20,000 shares of common will be offered publicly. Remaining 20,000 shares common will be offered to officers and key employees at $4.75 each. **Price**—Preferred $25 per share and common $5.75 per share. **Proceeds**—Of shares offered to public, 6,500 share of preferred and 20,000 shares of common are being sold by the company. **Proceeds**—Proceeds together with other funds, will be used to pay off $181,909 balance of note held by Schroder Trust Co., New York; to finance a proposed expansion program and to increase working capital.

Murphy (G. C.) Co., McKeesport, Pa.
June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

National Alfalfa Dehydrating & Milling Co., Lamar, Colo.
June 28 filed 28,960 shares of 4½% cumulative preferred stock ($100 par), 250,000 shares of common stock ($1 par) and warrants for 28,960 common shares (attached to preferred stock). **Underwriters**—Stone & Webster Securities Corp., and Bosworth, Chanute, Loughridge & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders. Temporarily postponed.

National Aluminate Corp., Chicago
Sept. 27 filed an unspecified number ($2.50 par) common shares. **Underwriters**—First Boston Corp., New York, and Lee Higginson Corp., Chicago. **Price**—By amendment. **Proceeds**—The stock is issued and outstanding and is being sold by shareholders. Names of the selling stockholders and the number of shares to be sold by each will be supplied by amendment.

National Manufacture and Stores Corp., Atlanta
June 12 (letter of notification) 8,500 shares of common stock. Offering price, $35 a share. **Underwriters**—Clement A. Evans & Co., Inc. **Proceeds**—For redemption of outstanding $2.50 class A non-cumulative stock. Postponed indefinitely.

National Tile & Mfg. Co., Anderson, Ind.
Oct. 7 (letter of notification) 50,000 shares ($1 par) stock. **Offering** to stockholders for subscription at the rate of 1 share for each 2½ shares held. **Price**—By amendment. No underwriting. For additional working capital.

Newburgh Steel Co., Inc., Detroit
Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred (par $10), and 30,000 common shares ($1 par). **Underwriters**—Names by amendment. **Offering**—Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. **Price**—$10 a share for the preferred and $6 a share for the common.

New England Gas and Electric Association
July 11 filed $22,500,000 20-year collateral trust sinking fund Series A bonds, and a maximum of 1,568,980 common shares ($5 par). **Underwriters**—By amendment. Bidders may include Halsey, Stuart & Co. Inc. (bonds only), Bear, Stearns & Co. (stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (jointly). **Offering**—Bonds and common stock are being offered in connection with a compromise recapitalization plan approved by the SEC, on June 24, 1946, which among other things provides for the elimination of all outstanding debentures and preferred and common stocks, and for the issuance of $22,500,000 of bonds and 2,300,000 of new common shares. The SEC has extended to Nov. 30 time within which refinancing may be carried out. Bids for the purchase of the bonds and the common stock which were to be received by the company Aug. 13 were withdrawn Aug. 12. Sale postponed indefinitely.

Northern Engraving & Mfg. Co., La Crosse, Wis.
Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. Indefinitely postponed.

Northern Indiana Public Service Co.
Aug. 28 filed maximum of 384,016 shares of common stock. Underwriters by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

Northwest Airlines, Inc. (10/29)
Sept. 19 filed 271,935 shares ($10 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.; The First Boston Corp., and Hornblower & Weeks, New York. **Offering**—Shares are offered for subscription to common stockholders of record Oct. 15 in ratio of one additional share for each two shares held, at $18.50 per share. Rights expire Oct. 28. Unsubscribed shares will be sold to underwriters. **Proceeds**—To pay bank loans; purchase of additional equipment and facilities.

• **Nu-Air-Wa Co., Port Arthur, Texas**
Oct. 14 (letter of notification) 1,000 shares each of $100 par cumulative preferred debentures and $100 par cumulative preferred stock; and on behalf of Lyle Bishop, President, and his family, 1,000 shares of no par common. **Offering**—Prices $100 each for the debentures and preferred and $75 a common share. No underwriting. For purchase of equipment and working capital.

Nugent's National Stores, Inc., New York
June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, $6.75 a share. **Proceeds**—Net proceeds to the company from 62,000 shares, estimated at $350,200, will be applied as follows: About $111,300 for retirement of outstanding preferred stock; $41,649 to purchase 100% of the stock of two affiliates, and balance $197,000 for other corporate purposes. The proceeds from the other 3,000 shares will go to selling stockholders. Offering temporarily postponed.

• **O-Cel-O, Inc., Buffalo, N. Y.**
Oct. 17 (letter of notification) 450 shares of $45 par preferred and 450 shares of $5 par common. Offering price, at par. Not underwritten.

Ohio Associated Telephone Co.
Sept. 11 filed $3,250,000 of first mortgage bonds, 2⅞% series, due 1976; and 35,000 shares (no par) $2 cumulative preferred bonds to be sold privately. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities, both of New York. **Offering**—Of the preferred being registered, 21,000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. **Proceeds**—Net proceeds to the company will be used to redeem its $1,770,000 of 3½% first mortgage bonds, due 1970, at 107½%; to repay $1,450,000 in bank loans; to pay General Telephone Corp. $937,518 in retirement of its 6% cumulative preferred owned by General and to reimburse its treasury for funds previously expended.

Old Town Ribbon & Carbon Co. Inc., Brooklyn
Sept. 19 filed 140,900 shares ($5 par) common. The shares are being sold by three stockholders. **Underwriter**—The First Boston Corp., New York. **Price**—By amendment.

• **Oxford Radio Corp., Chicago**
Oct. 11 (letter of notification) 60,000 shares ($1 par) common. **Offering**—Price $5 a share. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. For payment of note, purchase of machine tools and testing equipment and for general corporate purposes.

Pacific Gas & Electric Co. (10/28)
Oct. 4 filed $25,000,000 2¾% 1st and ref. mtge. bonds Series P due June 1, 1981. Underwriters—Names by amendment. Probable bidders include The First Boston Corp., Blyth & Co., Inc.; Halsey Stuart & Co., Inc. **Proceeds** — To finance part of construction program.

(Continued on page 2128)

(Continued from page 2127)

Bids Invited—Company will receive bids for the purchase of the bonds at its office 245 Market St., San Francisco, Calif. up to 10 a.m. PST on Oct. 28.

Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pal Blade Co., Inc., New York

June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Indefinitely postponed.

Palmetto Fibre Corp., Washington, D. C.

August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about $951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital.

Pantasote Plastics Inc., Passaic, N. J.

Sept. 27 filed 60,000 shares ($25 par) 4½% cumulative preferred and 1,352,677 shares ($1 par) common. **Underwriter**—Underwriting arrangements will be supplied by amendment, but it is contemplated that Van Alstyne, Noel & Co., New York, may be one of the underwriters. **Offering**—Company is making an exchange offer to stockholders of Textileather Corp., Toledo, O.; The Pantasote Co., Passaic, N. J.; and Astra Realty Co., New York, for the purpose of acquiring the controlling interests of the companies. Pantasote Plastics will offer three shares of its common, plus ⅖ of a share of preferred, for each share of Textileather common. It will offer two shares of its common for one share of Pantasote common, and 12 shares of its common for each shares of Astra common. It is proposed that underwriters will offer publicly a maximum of 60,000 shares of preferred and 250,000 shares of common, of which 12,853 shares of preferred and 50,000 shares of common are to be purchased by the underwriters from the company and the balance (which are part of the shares to be received under the exchange offer) are to be purchased from selling stockholders. **Proceeds** — Proceeds to the company will be applied to make loans to Textileather and Pantasote for various corporate purposes.

● **Pari-Mutuel Totalizer Corp., New York (11/6)**

Oct. 17 (letter of notification) 75,000 shares of common (1¢ par). **Offering price**—$2.75 a share. **Underwriting**—Howel, Porter & McGiffin, Inc., New York. For manufacture of pari-mutuel totalizing machines and for other corporate purposes.

Peninsular Oil Corp., Ltd., Montreal, Canada

Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

● **People's Service Corp., Philadelphia (11/1)**

Oct. 18 (letter of notification) 50,000 shares ($10 par) common. Price, $10 a share. No underwriting. Manufacture retail wearing apparel.

Pharis Tire & Rubber Co., Newark, O.

Sept. 27 filed 100,000 shares ($20 par) cumulative convertible preferred. **Underwriter**—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. **Price**—$20 a share. **Proceeds**—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building. **Business**—Manufacture of tires and tubes and tire repair materials.

Phillips & Benjamin Co., Waterbury, Conn.

Sept. 23 (letter of notification) 14,164 shares of $5 par common. **Offering**—To be offered for subscription to present stockholders on the basis of one share for each share held. Price not disclosed although it is stated that company wishes to have available 6,000 shares to take care of options which it proposes to give to management for past services, the options to run over a period of two years and six months and provide that the stock may be purchased at $10 a share within 18 months and thereafter and before the expiration of the option, at $15 a share. No underwriting. For exploitation of its business.

Plastic Molded Arts, Inc., New York (11/25)

Aug. 27 filed 60,000 shares of preferred stock ($10 par) and 75,000 shares of common (par 50c). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, $10 a share; common, $4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

Portis Style Industries, Inc., Chicago

Sept. 27 filed 110,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Shillinglaw, Bolger & Co., Chicago. **Offering**—Of the total 100,000 shares will be offered to the public and 10,000 to employees of the company. **Price**—Price to public $6.50 a share. Price to employees $5.525 a share. **Proceeds**—Shares are being sold by four stockholders of the company who will receive proceeds. The registration showed that the company changed its authorized capital from 4,000 shares ($100 par) common to 400,000 shares ($1 par). Each shares of $100 par common was changed into 100 shares of $1 par common, which exchange was consummated Sept. 23.

Portland (Ore.) Transit Co.

June 14 filed (as amended) 60,000 shares of 5% cumulative convertible preferred stock (par $25) and 300,000 shares of common stock, of which 80,000 shares will be sold to Pacific Associates Inc. at $6 per share, also an undertermined number of common shares for conversion of preferred. **Underwriters** — First California Co.; Scherck, Richter & Co.; Weeden & Co.; Allen & Co., and Rauscher, Pierce & Co. Offering price, preferred $26.50 per share; common, $7.50 per share.

Precision Parts Co. of Ann Arbor, Mich.

July 5 filed 75,000 shares 5% cumulative convertible preferred stock ($10 par). **Underwriter**—Van Alstyne, Noel & Co. and associates. Price by amendment. **Proceeds**—Of the net proceeds, $250,000 will be used to pay 3% notes held by National Bank of Detroit, $75,000 to reimburse treasury for sums spent in acquisition of the electrical division plant of the company, $30,000 for construction of space for executive offices in the economy baler plant, and the balance will be deposited with general funds. Offering temporarily postponed.

● **Precision Scientific Co., Chicago**

Oct. 10 (letter of notification) $175,000 of 5% subordinated debentures. **Offering**—Price in units of $100, $500 and $1,000. No underwriting. For general working capital.

Randall Graphite Products Corp., Chicago

Oct. 15 filed 100,000 shares ($1 par) common. **Underwriter**—White, Noble & Co. and Smith, Hague & Co., Detroit. **Price**—$3.50 a share. **Proceeds**—Net proceeds go to selling stockholders. **Business**—Graphite bronze bushings and other products.

Read (D. M.) Co., Bridgeport, Conn.

Sept. 27 filed 100,000 shares (25¢ par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Estimated net proceeds of $476,362 will be used to pay off a loan from the Marine Midland Trust Co., New York.

Reed-Prentice Corp., Worcester, Mass.

Oct. 11 filed 120,300 shares of common stock (par $2.50). **Underwriter**—Tucker, Anthony & Co., New York. **Price**—By amendment. **Proceeds**—The shares are being sold by stockholders who will receive proceeds. **Business**—Production of plastic injection molding machines.

Republic Aviation Corp., Farmingdale, N. Y.

Oct. 9 filed 100,000 shares ($50 par) convertible preferred stock. **Underwriters**—Hayden, Stone & Co., and Kidder, Peabody & Co. **Price**—By amendment. **Proceeds**—Proceeds, together with bank loans, will be used to increase working capital. Such funds are deemed necessary in view of the additional facilities that company intends to acquire and its large backlog of peacetime business.

Republic Foil & Metal Mills, Inc., Danbury, Conn.

Sept. 6 filed $500,000 of 3½% notes, due 1966; 2,500 shares of 3½% preferred stock (par $100) and 15,000 shares of common stock (no par). **Underwriting** — No underwriting. **Offering**—The securities being registered include notes, preferred and common previously sold to private subscribers for an aggregate price of $464,384. The company is offering to repurchase these securities with interest and reoffer them to the public. The purpose of the recission offer is because the earlier securities were not registered with the SEC. **Price**—The notes will be sold at 100, the preferred at $100 a share, and the common at 10 cents a share. **Proceeds** — Proceeds will be added to general corporate funds.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Reynolds Pen Co., Chicago

May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital.

● **Rhealee Stores, Inc., Dallas, Texas**

Oct. 15 (letter of notification) 4,000 shares ($20 par) convertible cumulative preferred on behalf of Sidney Fruhman, Ernest C. Hebert, Leo Fruhman and Earl Morchower, all officers of the company. **Offering**—Price not in excess of $22.50 to $25 a share. No underwriting. Proceeds to go to the selling stockholders.

Rheem Manufacturing Co.

June 26, 1946 filed 200,000 shares ($1 par) common stock. **Underwriters**—Blyth & Co., Inc. **Offering**—Company will sell 130,000 shares to the public through the underwriters and 70,000 shares to Bethleham Steel Co. **Price**—At a fixed price based on market (approximately, $4,533,750). **Proceeds**—Receive short term bank loan for building, machinery, and working capital.

Rowe Corp., New York

July 29 filed 100,000 shares common stock. **Underwriters**—Hayden, Stone & Co. **Offering**—The selling stockholders, who include Robert Z. Greene, President, are offering the shares to the public through the underwriters, for their own account. Price, by amendment. Offering date indefinite

● **Rural Directories, Inc., Bowling Green, Ohio**

Oct. 16 (letter of notification) 200 shares of $100 par cumulative preferred and 1,000 shares of no par common. **Offering price**—$100 a preferred share and $1 a common share. No underwriting. To defray initial expense of printing directories.

St. Regis Paper Co., New York

Sept. 27 filed 150,000 shares ($100 par) first preferred. **Underwriter**—To be supplied by amendment. Probable underwriter, White, Weld & Co. **Offering**—Terms of offering and price by amendment. **Proceeds**—Net proceeds will be used to redeem company's 5% cumulative prior preferred stocks and an unspecified amount will be advanced to Taggart Corp., a subsidiary, for redemption of its $2.50 cumulative preferred. Both securities are redeemable at $52.50 a share plus accrued dividends. In addition, the company will apply $2,675,000 of the proceeds as advances to Alabama Pulp and Paper Co., of whose common stock the company owns 25,000 shares. The balance of proceeds will be used to restore working capital.

San-Nap-Pak Mfg. Co. Inc., New York

July 24 filed 80,000 shares ($1 par) common stock. **Underwriters**—Dunne & Co., New York. **Offering**—Price by amendment. **Proceeds**—Nat E. Heit, President and director, and Harry Preston, board Chairman, Secretary and Treasurer, will receive net proceeds as selling stockholders. Offering date indefinite.

Sardik Food Products Corp., New York

May 29 filed 175,000 shares of capital stock (no par). **Underwriter**—George F. Breen, New York. **Offering**—Of the total being offered company is selling 155,000 shares of which 9,524 shares are reserved for possible sale to F. G. and P. F. Searle on or before April 30, 1947, at $10.50 per share and the remaining 20,000 shares are being sold by two stockholders. Price to the public $12 per share. **Proceeds**—Working capital, purchase equipment and plant, etc. Registration may be withdrawn.

Scripto, Inc., Atlanta, Ga.

Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes. Offering date indefinite.

Seaboard Finance Co., Washington, D. C.

Aug. 29 filed 240,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co., and Johnston, Lemon & Co. **Offering**—Certain stockholders are selling 140,000 issued and outstanding shares. Company is offering 100,000 shares. Price by amendment. **Proceeds**—From company's 100,000 shares proceeds will be used to reduce outstanding bank loans and commercial paper and for other corporate reasons. Offering temporarily postponed.

Sharot-May Co., Inc., New York (10/28)
Oct. 15 (letter of notification) 90,000 shares of common stock (par 25c). **Underwriter**—Hautz & Engel. **Price**—$3 per share. **Proceeds**—To pay outstanding debt to its factors, balance for expansion.

Solar Manufacturing Corp.
June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital. Offering temporarily postponed.

Soss Manufacturing Co., Detroit, Mich.
Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

Soya Corp. of America
Aug. 28 filed 375,000 shares (par 1c) common stock. **Underwriter**—Peter Morgan & Co. Price market or $4 per share, whichever is higher. **Proceeds**—To repay RFC loan, to buy Canton Mills, Inc., and for working capital.

Springfield (Mo.) City Water Co.
Oct. 16 filed 8,[illegible]7 shares ($100 par) series E 4¼% cumulative preferred. **Underwriters**—H. M. Payson & Co., Portland Me. and The Moody Investment Co., Springfield. **Offering**—Stock will be offered for exchange to holders of series C 6% preferred and series D 5% preferred on the following basis: For each share of series C stock one share of new preferred plus 50c in cash and for each share of series D stock one share of new preferred plus $1 in cash and a $1.25 dividend payable Jan. 1, 1947. Shares not issued in exchange will be sold to underwriters for public offering at $104 a share. **Proceeds**—Will be used to retire the series C stock at $103 plus dividends and series D stock at $105 plus dividends.

Standard Brands, Inc., New York (10/30)
Sept. 6 filed 220,000 shares $3.50 (no par) cumulative preferred. **Underwriters**—Dillon, Read & Co. Inc. and Blyth & Co. **Offering**—First in exchange for 200,000 outstanding shares of $4.50 cumulative preferred. In the event the public offering price of the new preferred is $100 a share, holders of the old preferred will be granted the opportunity to exchange their stock for new preferred at the rate of 1 1/10th shares of new preferred for each share of old preferred. **Price** — By amendment. **Proceeds** — Company will use net proceeds from any shares sold to the public to redeem all unexchanged shares of old preferred at $110 a share.

Steep Rock Iron Mines Ltd., Ontario
March 27 filed 500,000 shares of capital stock (par $1). **Underwriters**—Otis & Co. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds will be added to the general funds and will be available for general corporate purposes. Offering date indefinite.

Stereo Pictures Corp., New York
Oct. 14 (leter of notification) 2,985 units of stock, each unit consisting of one share of $6 cumulative (no par) non-voting, non-convertible, preferred stock and one share of common stock (par 50c). **Underwriter**—Ayres Barley & Associates, Inc., (165 Broadway, Suite 1717) New York. **Price** — $100 per unit. **Proceeds**—for working capital, machinery, equipment, etc.

Stern & Stern Textiles, Inc., New York
Aug. 29 filed 191,000 shares of common stock ($1 par). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Offering**—Company is offering 51,000 shares and selling stockholders are disposing of 140,000 issued and outstanding shares. Price by amendment. **Proceeds**—Proceeds from the sale of 51,000 shares by the company will be used to reimburse treasury for funds spent on June 26 to retire 5,000 shares of preferred stock, $100 par. Offering temporarily postponed.

Stix, Baer & Fuller Co., St. Louis
Aug. 28 filed 102,759 shares common stock (par $5). **Underwriter**—Goldman, Sachs & Co. **Offering**—Eight selling stockholders are disposing of 62,000 shares, and the company will offer 40,759 shares initially to its preferred and common stockholders. Price by amendment **Proceeds**—Net proceeds from the sale of the company's shares will be added to its "building construction and improvement fund." Offering date indefinite.

Street & Smith Publications, Inc.
July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

● **Super-X Corporation of America, New York**
Oct. 16 (letter of notification) 100,000 shares of $1 par common. **Offering price**—$3 a share. No underwriting. For organization of business.

Swern & Co., Trenton, N. J.
Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially.

Taylor-Graves, Inc., Saybrook, Conn.
July 12 (letter of notification) 44,300 shares of ($5 par) cumulative convertible preferred stock and 44,300 shares common stock (par 50c). **Offering**—Price $6 a share for preferred and 75 cents a share for common. **Underwriter**—Amos Treat & Co. **Proceeds**—For payment of notes, mortgages and for general corporate purposes. Offering temporarily postponed.

Tele-Tone Radio Corp., New York
Aug. 1 filed 210,000 shares of common stock (par 50 cents). **Underwriters**—Hirsch & Co. **Offering**—Company is offering 75,000 of the shares registered. Eleven stockholders are selling 135,000 issued and outstanding shares, for their own account. **Offering**—Price $6.75 a share. **Options**—Selling stockholders are also selling to the underwriters at 7 cents per option warrant options to purchase 18,000 shares of the issued and outstanding common owned by them. They are also selling to Hallgarten & Co., for $1,500, plus $360 as a contribution toward the expenses of issuance, options to purchase an additional 18,000 shares of the issued and outstanding common. **Proceeds**—Net proceeds for the sale of company's 75,000 shares will be used for increasing working capital, with a view to entering the Frequency Modulation and Television fields at an advantageous time. Offering date postponed.

● **Thew Shovel Co., Lorain, Ohio**
Oct. 18 (letter of notification) 2,000 shares ($5 par) common on behalf of the estate of Frank A. Smythe, deceased; Chauncey B. Smythe, Alan W. Smythe and The National City Bank of Cleveland, executors. Price, $35 a share. **Underwriter**—Smith, Barney & Co., New York. Proceeds go to the selling stockholder.

United Benefit Fire Insurance Co., Omaha, Neb.
Oct. 7 filed 50,000 shares ($10 par) common. **Underwriting** — None. **Price** — $30 a share. **Proceeds** — The company stated that $500,000 of the $1,495,000 proceeds will constitute the capital of the company, and after deducting $5,000 estimated expenses, it will classify $995,000 as surplus.

United States Shoe Corp., Cincinnati, Ohio
Aug. 25 filed 24,000 shares ($4 par) common. **Underwriter**—Benj. D. Bartlett & Co., Cincinnati. **Offering**—Shares will be offered to the public by seven stockholders, who will receive the entire net proceeds. Price by amendment. Offering postponed indefinitely.

Upper Michigan Power & Light Co., Escanaba, Mich.
July 18 (letter of notification) 5,500 shares of 4¼% first preferred stock series B ($50 par). Offering price, $50 a share. **Underwriter**—First of Michigan Corp., Detroit. **Proceeds**—For enlargements and improvements of power plant facilities. Offering date indeterminable at present.

Valsetz Lumber Co., Portland, Ore.
Oct. 4 filed 14,000 shares ($100 par 2% cumulative Class A preferred and 2,000 shares ($100 par) 2% cumulative Class B preferred. **Underwriters** — None. **Offering** — Stocks will be offered for sale to customers and former customers of the Herbert A. Templeton Lumber Co. with whom the registrant has an exclusive sales contract whereby all the lumber produced by the registrant will be sold to Templeton. **Price**—$100 a share for each class of stock.

Velvet Freeze, Inc.
July 24 filed 203,500 shares of stock which are to be sold for the account of certain stockholders. **Underwriters**—Sherck, Richter & Co., and Straus & Blosser. **Offering**—Of the total, 200,000 shares will be sold through the underwriting group at $8.50 a share, and 3,500 shares will be offered to certain employees at $7.50 a share. Offering postponed indefinitely.

Warwick Apartments, Inc., Red Bank, N. J.
Oct. 8 (letter of notification) 39,948 shares of capital stock. Offering price, $3.45 a share. **Underwriter**—Ray H. Stillman, Eatontown, N. J., will act as selling agent. **Purpose**—To acquire all of the equity in Warwick Gardens, Inc., which owns certain improved real estate at Red Bank, N. J.

Webster Electric Co., Racine, Wis.
Sept. 3 filed an unspecified number of shares of common stock (par $1). **Underwriting**—Loewi & Co., Milwaukee. **Offering**—The shares are being sold both by the company and by shareholders. The respective amounts will be supplied by amendment. Price by amendment. **Proceeds**—Company will use about $210,000 of its net proceeds to redeem 645 shares of its prior preference stock at $110 a share and accrued dividends, and 1,386 shares of second preference stock at $100 a share and accrued dividends. The balance will be added to general corporate funds.

West Coast Airlines, Inc., Seattle, Wash.
Sept. 2 filed 245,000 shares ($1 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Price**—$7 a share. **Proceeds**—Will be used for payment of various expenses, repayment of bank loans, purchase of equipment and for working capital.

West Virginia Water Service Co.
Aug. 6 filed 46,400 shares (no par) common. **Underwriter**—Shea & Co., Boston. Price, by amendment. **Proceeds**—Shea & Co. is selling 26,400 shares for its own account and the remaining 20,000 shares are being sold by Allen & Co., New York, with Shea as underwriter.

● **Western Lease & Royalty Corp., Denver, Colo.**
Oct. 18 (letter of notification) 400,000 shares (5c par) common. Price 5c a share. No underwriting. To purchase gas and oil leases and royalties.

Westinghouse Electric Corp.
Aug. 14 filed 1,647,037 shares ($12.50 par) common. **Underwriter**—Kuhn, Loeb & Co. **Offering**—Stock will be offered for subscription to holders of outstanding preferred stock and common stock in ratio of ⅛ share for each share of common or preferred held. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds**—To reduce bank loans. Offering temporarily postponed.

Wheeler, Osgood Co., Tacoma, Wash.
Oct. 7 filed 80,000 shares ($5 par) 50c cumulative convertible preferred stock and 100,000 shares ($1 par) common. **Underwriter** — Names by amendment. **Price** by amendment. **Proceeds**—Will be used to redeem $625,000 4% bonds and $638,600 first and second debentures; balance for working capital.

White's Auto Stores, Inc.
Aug. 29 filed 75,000 shares $1 cumulative convertible preferred stock ($20 par) and 50,000 shares common stock (par $1). **Underwriters**—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. **Offering**—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment. **Proceeds**—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital. Offering date indefinite.

Winters & Crampton Corp., Grandville, Mich.
Aug. 28 filed 119,337 shares of common stock (par $1). **Underwriter**—E. H. Rollins & Sons, Inc. **Offering**—Company is initially offering the stock to its common holders at the rate of one share for each two shares held. Price by amendment. **Proceeds**—To retire a conditional sales contract obligation held by the Reconstruction Finance Corp., pay off bank loans of $600,000, and for working capital.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch Pierce, Fenner & Beane; White, Weld & Co.; Glore Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp. top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Yolande Corp., New York
Sept. 17 filed 50,000 shares ($1 par) common stock. **Underwriters**—Headed by E. F. Gillespie & Co., and includes Childs, Jeffries & Thorndike, Inc., New York; Courts & Co., Atlanta; Irving Rice & Co., St. Paul, and Maxwell, Marshall & Co., Los Angeles and New York. **Price**—$10 a share. **Proceeds**—Estimated net proceeds of $400,000, together with $87,125 from the sale of 10,250 additional common shares to J. William Anchell, Vice-President, at $8.50 a share, will be used partly for the purchase of 10,995 shares of capital stock of Island Needlework, Inc., of Puerto Rico, out of a total of 11,000 outstanding shares. The shares will be purchased for a total price of $220,522 from Mrs. Gertrude S. Korsh, sister of Herbert L. Miskend, President and Treasurer of Yolande Corp. Of the remaining proceeds, $68,750, plus dividends, will be used to redeem at $110 a share the company's 625 shares of $100 par 6% cumulative preferred stock. The balance will be used to reimburse the company's treasury for previous expenditure and for additional working capital.

● **Zatso Food Corp., Philadelphia (11/1)**
Oct. 18 (letter of notification) $100,000 5% cumulative preferred stock (par $100) with common stock as bonus. Price, $100 per unit. For purchase of raw materials and for general conduct of business. **Underwriter**—Ludolf Schroeder, 1614 Cambridge St., Philadelphia.

(Continued on page 2130)

Prospective Security Offerings

(NOT YET IN REGISTRATION)
• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

[EDITOR'S NOTE—Due to the paper situation, we are limiting our coverage of "prospective" financing in this issue to only those undertakings which have come to hand during the past week, thus omitting the items of this nature which can be reported in previous issues. We regret the necessity for this action and will resume the usual complete tabulation as early as circumstances permit.]

(Continued from page 2129)

• Aluminum Co. of America
Dec. 20 stockholders will vote on authorizing an issue of 1,000,000 shares of a new class of preferred stock which will be a junior issue, pending retirement of the 6% cumulative preferred stock. Probable underwriter, The First Boston Corp.

• American Gas & Power Co.
Oct. 22 as counsel for the holders of $50,000 of 6% debentures of the company, Percival E. Jackson filed with the SEC a plan for recapitalization of the company. This calls for a single class of stock consisting of 1,100,000 shares ($1 par) common. Under the plan American Gas would sell at competitive bidding enough shares to provide the $12,210,578 due holders of its 5 and 6% debentures. All the remaining common stock would be distributed to holders of present securities on the following basis: six-thirteenths to common stockholders, four-thirteenths to holders of scrip certificates and three-thirteenths to holders of warrants.

• American Power & Light Co.
Oct. 22 SEC began hearings on company's plan for retirement of its $6 and $5 pfd stocks, through voluntary exchange for common stocks of five of the company's subsidiaries or through later payment of cash. The plan would establish the fair and equitable value of the rights on June 30, 1946, of each $6 preferred share at $150, and of each $5 preferred share at $137. There are 793,581 shares of the former issue and 978,444 shares of the latter issue outstanding. On the basis established in the plan, the value of both preferred stock rights combined would total $253,084,000. Upon approval by the SEC and issuance of an order by a U. S. District Court, the company will sell at competitive bidding 15% of the common stocks of five subsidiaries, namely, Florida Power & Light Co., Kansas Gas & Electric Co., Minnesota Power & Light Co., Montana Power Co. and Texas Utilities Co. The remaining 85% of the stocks of these utilities would be divided ratably into exchange units to be offered to American Power & Light preferred shareholders.

Atchison Topeka & Santa Fe Ry. (10/29)
Bids will be received by F. G. Gurley at 80 E. Jackson Boulevard, Chicago, up to noon (CST), Oct. 29, for the lowest interest rates at which bidders will provide funds for financing the acquisition of railroad equipment under conditional sale agreements, in five lots, viz.: (1) not to exceed $2,904,000; (2) not to exceed $927,800; (3) not to exceed $2,352,000; (4) not to exceed $2,024,000, and (5) not to exceed $2,744,400.

Baltimore & Ohio RR. (10/24)
Bids for the purchase of $7,620,000 equipment trust certificates, series R, to mature in 10 equal instalments of $762,000 each on Nov. 1, 1947-1956 will be received up to 12 noon, Oct. 24, at company's office, 2 Wall Street, New York. Probable bidders include Halsey, Stuart & Co. Inc., and Salomon Bros. & Hutzler.

• Birmingham (Ala.) Electric Co.
Oct. 23 company applied to Alabama P. S. Commission for authority to issue 64,000 shares of new preferred to be sold at competitive bidding. Shares would be offered in exchange for outstanding 7% and 6% preferred stock. Probable bidders include Dillon Read & Co., Inc.; The First Boston Corp. and Blythe & Co., Inc.

• Chesapeake & Ohio Ry.
Oct. 23 the plan of the Alleghany Corp. to sell a block of more than 100,000 shares of Chesapeake & Ohio Ry. common stock after the close of the Stock Exchange Oct. 22 was postponed indefinitely following a decline in price. In 1943 a block of 85,000 shares was sold at $43.90 a share and in the following year 704,121 shares were sold at $45.25.

• Chicago & North Western Ry. (11/7)
Bids for the purchase of $10,140,000 equipment trust certificates, to be dated Dec. 1, 1946, and due serially in equal annual instalments, will be received at company's office 400 West Madison St., Chicago, up to 12 noon CST Nov. 7. Dividend rates to be specified in bids. Probable bidders include Otis & Co.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc., and Middle West banks.

• Kansas City Power & Light Co.
Oct. 23 reported company planning to refund its $38,000,000 first mortgage 3¾% bonds and $4,000,000 of $6 preferred stock. It proposes to offer at competitive sale $3?,000,000 of bonds and $10,000,000 of new preferred stock and to contract a bank loan of $4,000,000. These sales are planned for early December. The 3¾s were sold to ten institutions in September, 1936, at 109¼ and are currently redeemable at 110. The preferred stock is callable at $115 a share. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Harriman, Ripley & Co.; Dillon, Read & Co. Inc.; Central Republic Co. (stock) and Smith, Barney & Co. (stock).

• New York State Electric & Gas Corp.
Nov. 6 SEC will hold hearings on company's proposed to issue $13,000,000 1st mtge. bonds due 1976, interest not to exceed 2⅞% and $12,000,000 preferred stock, dividend rate not to exceed 4%, the proceeds to be used to retire $13,000,000 3¾% bonds and $12,000,000 5.10% preferred stock. Plan also provides for issuance of an additional $3,000,000 preferred to be applied against cost of new construction. Probable bidders include Blyth & Co. and Smith, Barney & Co. (jointly); the First Boston Corp. and Glore, Forgan & Co. (jointly) and Halsey, Stuart & Co. Inc. (bonds only).

• Southern Co., New York
October 22 Commonwealth & Southern Corp. filed with SEC a proposal to organize Southern Co., as a step in its program for compliance with the corporate simplification and geographic integration requirements of the Holding Company Act. The Southern Co. proposes to sell for cash (when Commonwealth's recapitalization plan becomes effective) sufficient common stock to realize $13,500,000, to be invested in Southern Co.'s subsidiaries and new construction.

Our Reporter's Report

The Treasury's plan to retire two billion more of its debt, bringing the total thus far this years to $19 billions, turns attention anew to the change which has taken place in the money market since the close of the war.

The capital market is no longer geared primarily to the needs of the Treasury for purposes of financing recovery and victory and the government is not in the position of taking care of industry's capital needs.

As a consequence of the war period, however, and the deficit financing which went before it, the banks now find themselves heavily invested in government securities.

At the moment the Treasury, availing itself of its huge unnecessary cash balances piled up in the closing war loan drives, and seeking to dry up some of the surplus money around as a guard against inflation, is soaking up some of its short-term paper held by the banks.

If, as expected, private industry borrows from the banks in increasing volume — the trend has been upward now for months— the feeling is that the money market, sooner or later, must reflect these developments.

The Federal Reserve Board in its latest bulletin notes that "extreme ease" of wartime in the money market has passed. But it holds that "basic easy credit conditions" have not been altered. This is due chiefly, however, to the fact that member banks can obtain funds needed to supply credit demands of business through use of their large holdings of short-term governments as a base for Reserve accommodation at low rates.

Birmingham Electric

Underwriters were losing no time in the process of organizing groups to bid for the 64,000 shares of new preferred stock which Birmingham Electric Co. is seeking to have authorized by the Alabama Public Service Commission.

Indications are that the company will proceed without delay to put the issue in registration with the Securities and Exchange Commission with a view to expediting actual marketing as much as possible.

The banking group which wins the award will be obligated to offer the new stock first to holders of the present 7 and 6% preferreds on an exchange basis with a cash adjustment for the premium on existing issues.

Pacific Gas Asks Bids

Provided there is no cause for change in its program, bankers will be bidding for $25,000,000 of new Pacific Gas & Electric Co. 2¾%, 25-year first and refunding mortgage bonds next Monday.

The company called for bids on its projected 2¾s this week, to be opened at its offices in San Francisco during the forenoon. Since this is a new money issue, it is expected that competition will be keen, particularly since the undertaking is not of unduly large proportions, but more in line with the dimensions which underwriters like to handle.

Proceeds will be used by the company to finance its extensive new construction program.

Dow Chemical Co.

One of the largest industrial financing operations to go into registration with the SEC in recent months is that projected by the Dow Chemical Co., involving $30,000,000 of new 15-year debentures.

Since this issue is not subject to the Commission's competitive bidding rule, but is being handled by negotiation between the company and its bankers, it could reach market immediately upon the expiration of the required period of hibernation.

Here again the undertaking represents a new money operation since funds will be added to cash which is and will continue to be spent for additions to plants, production of new products and broadening of markets for current output.

Large Stock Issue

Presumably satisfied that the listed security markets have regained their equilibrium after the post-Labor Day deluge, Creameries of America, Inc., has gone into registration for 116,986 shares of common stock of $1 par value.

The break in the market left considerable in the way of equity offerings welled up in distributors' hands, but substantial progress in placing of such issues is now reported.

The foregoing issue will provide the company with funds for expansion and improvements and liquidation of bank loans among other things.

Influence of Government on Business and Accounting to Be Discussed by NACA Group

Maurice E. Peloubet, partner of the firm of Pogson, Peloubet & Co., certified public accountants, will address the Third Technical Session of the Brooklyn Chapter of the National Association of Cost Accountants on the subject, "Influence of Government on Business and Accounting," at the Park-Vanderbilt Restaurant, Park Place and Vanderbilt Avenue, Brooklyn, N. Y., on Wednesday evening, Oct. 30, 1946.

Mr. Peloubet has had wide experience in the service of the government and also as an advisor to business and he will discuss the various government agencies that business has had to live with during the past few years and the effect these special codes, rules, regulations, laws, forms and reports will have on our future.

A Certified Public Accountant of New York, New Jersey and Texas, Mr. Peloubet was consultant to the War Production Board and to the U. S. Navy Department, and was in charge of an accounting survey for the U. S. and British Chiefs of Staff. He was a delegate to the International Congress on Accounting held in New York in 1929 and in London in 1933. He is a Past President of the New Jersey Society of Certified Public Accountants, Director of the New York State Society of Certified Public Accountants, Treasurer of the American Institute of Accountants, National Director of NACA, Director of the Arbitration Association of America and a member of the Accountants Club of America.

"Town Meeting of the World" Moves to Western Hemisphere

(Continued from first page)

The concrete query confronting all thoughtful observers of the current proceedings was significantly indicated by Mr. Truman's succinct assertion this afternoon. "This is the world's supreme deliberative body."

How "deliberative" will this body really be? Will the Assembly merely resolve itself into a super-debating society, voluntarily or involuntarily abstaining from making enforceable decisions? And is such indecisiveness perhaps additionally indicated by the President's major emphasis today on the UN's humanitarian agencies?

Should the Town Hall meeting technique unfortunately prevail—in a context of long-winded delay—the effect will be a severe boomerang against the public's morale. President Paul-Henri Spaak of the Assembly on two occasions today exhibited extreme sensitiveness regarding such public reaction. In his initial address at City Hall he plaintively commented on the public's alleged lack of proper enthusiasm as revealed in the spectators' apathy toward the morning's motor cavalcade of delegates. Again in his address at the City's luncheon, he devoted considerable effort to self-defense regarding the organization's "weakness," his defense being based on the world's lack of any better alternative.

Mere Wishing for Peace Insufficient

The other realistic note sounded by President Truman today was his cautioning that the people's desire for peace—in lieu of war—as an ideal is not enough to prevent war. Not only aggression itself, but willingness to refrain from national sovereignty for the benefit of the international collective interest, is the basic indispensable element in any successful world organization.

The Contrasting Realism of the Council of Foreign Ministers

Unfortunately, the "debating society" character of the General Assembly will be thrown into sharp relief when the Council of Foreign Ministers of the Big Four concurrently meets Nov. 4. For the Assembly proceedings, scheduled to sprawl over Flushing Meadows and Lake Success for the next six weeks are not binding, their effectiveness depending wholly on their voluntary acceptance by the member states. The Assembly has no *veto* powers but decides matters which are ruled important by a two-thirds vote, and those matters which are considered routine by a simple majority vote. Its power is only that of recommendation, not of absolute direction. Just like the Economic and Social Council, the Assembly has no enforcement "teeth"; it depends on moral suasion on the part of the public to implement its proposals with action. So, with the actual impotence of the more powerful Security Council having been so vividly and recurrently demonstrated, what chance is there for truly effective action on any of the controversial issues by the Assembly?

By way of contrast, the Council of Foreign Ministers which will be in session in New York concurrently beginning Nov. 4, must pitch right in and make crucial and concrete decisions. First of all in importance, the Ministers must come to grips with drafting a peace treaty with Germany, whose periphery only the Paris deliberations have skirted. Also they must examine the controversial recommendations made at Paris on the draft treaties with Rumania, Bulgaria, Finland, and Italy, regarding which the East-West rift is still raging.

Trusteeship an Important Issue

It now seems that the United Nations' Trusteeship Council, which has been debated ever since the beginning of the San Francisco Conference, will finally be established at this session of the Assembly. The United Kingdom on Monday submitted draft terms of agreements for its African mandates. France and Australia have similarly submitted drafts covering their mandates; and Belgium and New Zealand have definitely promised to submit them in the near future.

The outstanding recent event in bringing self-government to the world's half-billion dependent peoples is the constructive action of the British Government in establishing independence in India.

Progress similarly is being made in solving the problems in Indonesia, arising in the liberation of the Netherlands East Indies from Japanese occupation. The major issue still in controversy there arises from the demand by the Indonesians that the new territory take in Sumatra and other islands, whereas the Holland Government does not want these islands included under the domination of the Javanese.

And, of course, the highly controversial and volubly disputed Palestine issue cannot be settled by unilateral or bilateral policies of the Big Powers, but only by all-inclusive action through the contemplated Trusteeship Council of the United Nations.

Disposition of the Japanese-mandated islands presents a special problem. The American position involves a direct conflict between State Department policy-makers and our military leaders. While on the one hand our diplomats want to pursue a policy conforming to the World Organization's basic concept—of international cooperation — the military service, concentrating on the preservation of security, want to keep under U. S. control all formerly-mandated territories which conceivably might be needed for security purposes.

Of course this overall indecision is accentuated by the uncertainty of our future relations with the Soviet Union. With our diplomatic status with Moscow as mutually "fluid" as it now is, we cannot decide whether now to definitely embark on a whole-souled policy of relying on the United Nations for our future security; or whether to establish "defensive-offensive" strategically located bases throughout the globe—thereby involuntarily sabotaging the World Organization.

Again, some of the American proposals are likely to run into criticism, if not actual opposition, by the Russians—regarding the "open door" factors of equal treatment for all United Nations members in social and economic matters, and regarding provisions for the treatment of native populations.

Re-examination of the Veto

Also on the provisional agenda is that volcanic item—the veto; a full-dress discussion of which may instigate a climactic re-examination of the basic concept of the entire World Organization.

The Miscellaneous Agenda

Some of the relatively routine matters to be determined by this session of the UN Assembly include agreement on the 1947 budget at about $25,000,000, of which the United States will shoulder 49%; the admission of new member nations; approval of agreements with the specialized agencies, as UNESCO, the International Labor Office, and the Provisional International Civil Aviation Organization; election of the new members of the Economic and Social Council and the Security Council; and that most knotty problem of selecting a permanent site for the entire Organization.

There is no dearth of agenda, to consume these six and one-half weeks and more. In fact the formal agenda has just been inflated to 53 items, by the addition of the following eight being handed in from the recent sessions of the Economic and Social Council:

1. A report of the Council's first three sessions.
2. The Council's request for authorization to obtain from the International Court of Justice, advisory opinions on legal problems.
3. A request for a $300,000 loan for the establishment of the World Health Organization.
4. Transfer of the Institute of Intellectual Cooperation, in Paris, to UNESCO.
5. Formal encouragement of the Red Cross and Red Crescent organizations.
6. Travelling and subsistence allowances for various commissions.
7. Aid for children in overrun countries, in conjunction with UNRRA.
8. Establishment of a children's emergency fund.

In addition to the 53 scheduled items, any one of a number of controversial "political sounding board" matters can be introduced—as the former abortive attempt of Russia to have the Allies report the details of their troops stationed in non-enemy countries.

The Bobby-Soxers' Delight

Assembly President Spaak's bawling-out this morning of the American public for lack of enthusiasm was both stupid and showed a misconception of our psychology. It was bad judgment because, instead of confining the knowledge of any apathy to the comparatively small number of people attending, it broadcast this to the whole world. Moreover, it overlooked the fact that the American public is interested in personalities far more than in issues. And as to individual hero worship we surely are again hitting the bull's eye. For every bobby-soxer, elevator boy, stenographer, truck driver, as well as Park Avenue hostess, is feverishly interested in one colorful glamorous performer—V. M. Molotov, the American public's own "international Frank Sinatra."

V. M. Molotov

Rival Unions Now Seeking to Organize Banks And Brokerage Houses of Wall Street Community

By EDMOUR GERMAIN

Union activity reached high pitch on Wall Street this past week as Financial Employees Guild, CIO group, sought actively to invade field heretofore private happy hunting ground of United Financial Employees, an independent union. UFE still in midst of negotiations with New York Stock Exchange and has opened negotiations with Curb Exchange. It has won election among employees of A. M. Kidder & Co. Financial Employees Guild has announced mass rally for all of messengers and guards of Wall Street banks and firms at Pulitzer Building on Park Row tomorrow at 5 p.m. At Guild's request, State Labor Board will conduct an election at Brown Brothers Harriman & Co. next Thursday.

Union activity reached a high pitch on Wall Street this last week as the Financial Employees Guild, a CIO group, made a dramatic if perhaps, as would seem at present writing, not too effective attempt to obtain a foothold in a field which heretofore has been pretty much the private happy hunting ground of the United Financial Employees, an independent union.

The Financial Employees Guild has not been entirely without success in making inroads into the New York financial community but, on the surface at least, the United Financial Employees would appear to possess some advantage. The UFE is firmly entrenched in the New York Stock Exchange, or so it thinks at least, and even this presumption on its part, if it is that, would tend to give it some advantage as, from some points of view, the Stock Exchange may be rightly considered a central, pivotal institution in the financial district.

The relation between the Stock Exchange and the UFE is not exactly a happy one at the moment, however. The union is seeking a new contract, incorporating a 25% wage increase, and other demands, with the Exchange but the Exchange feels that it would be worse than useless for it to sign another contract with the union if the union refuses to pledge itself to a no-strike agreement. The Exchange thinks that its request is a matter of principle. The union claims a no-strike clause in the contract would under certain circumstances force its members to cross their own picket lines and the union refuses to put itself in this position. Further negotiations on the contract will take place Saturday afternoon.

Last Thursday, the UFE won a State Labor Board election for collective bargaining rights for the employees of A. M. Kidder & Co., 76 to 64. There were 150 eligible to vote and 144 did vote. There were two challenged votes. One ballot was blank and one was void. Negotiations for a contract with A. M. Kidder & Co. are expected to commence shortly. The UFE is also in the midst of negotiations with the N. Y. Curb Exchange. One master contract is being sought which will cover all employees of the Curb now covered by three contracts for separate divisions of the employees there. The UFE is also negotiating for the runners of Stern, Lauer & Co.

The Financial Employees Guild conducted lunch-hour rallies at the corner of Wall and Broad Streets Tuesday and yesterday to advance the cause of unionism in general and its own cause in particular, succeeding in attracting huge crowds that ran into the hundreds, though not all of them employees of the firms and banks they want to organize. The UFE is very much upset over the fact the police is allowing the Guild to conduct street rallies when it denied the UFE a similar privilege when it asked for it last summer.

Members of the Guild on Sunday voted in favor of empowering the union to call a strike at People's Industrial Bank if the bank should refuse to negotiate with the union. The union announced yesterday however that the bank has agreed to meet with representatives o fthe union. On Monday, the Guild won a State Labor Board election among the messengers, guards, vaultmen, elevator operators and porters of the Irving Trust Company, 146 to 61. There were 236 eligible to vote in this election and 220 did vote. There were six challenged ballots. One ballot was blank and six were void.

The Guild's street demonstration on Tuesday was partly directed against the Bankers Trust Company in protest against a 10% bonus granted by the bank to its employees that very day. The union wants any bonus money the bank is willing to give its employees granted in the form of a salary raise guaranteed by contract. The Guild has announced that tomorrow at 5 p.m. they will conduct a mass rally of all messengers and guards of Wall Street banks and firms at the Pulitzer Building at 63 Park Row so as to complete organization on an industry-wide basis. At Guild request also, the State Labor Board will conduct an election for collective bargaining rights among the employees of Brown Brothers Harriman & Co. next Thursday from 3:30 to 4:30 p.m.

INDEX

(Continued from page 2071)

Regular Features

	Page
Canadian Securities	2090
Dealer-Broker Investment Recommendations	2078
Is British Export Drive Overdone?—Paul Einzig	2079
Mutual Funds	2086
NSTA Notes	2079
New Security Issues Calendar	2125
Observations—A. Wilfred May	*
Our Reporter on Governments	2087
Our Reporter's Report	2130
Prospective Security Offerings	2130
Public Utility Securities	2076
Railroad Securities	2084
Real Estate Securities	2082
Securities Salesman's Corner	2091
Securities Now in Registration	2123
Tomorrow's Markets (Walter Whyte Says)	2122

* See Mr. May's story on cover page pertaining to opening session of UN General Assembly.

Final Edition ESTABLISHED 1839 In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

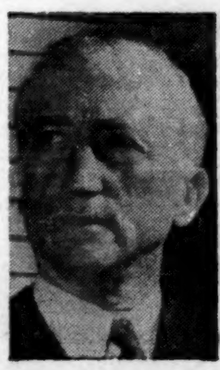
Reg. U. S. Pat. Office

Volume 164 Number 4536 New York, N. Y., Thursday, October 24, 1946 Price 60 Cents a Copy

Byrnes Reports on Peace Conference

Secretary of State, in radio address, says much was accomplished despite disagreements. Says proposed treaties with Axis statelites were compromises. In dealings with Russia, upholds a firm but patient attitude and decries criticism we have been too soft or too tough. Strenuously denies Russia's charge we were enriched by war and that we desire to make "hand-outs" to European peoples in order to enslave them. Asserts we are firmly and irrevocably committed to principle of right of every people to organize their economy and will defend freedom everywhere. Concludes that regardless of Russia's attitude war is not inevitable.

Secretary of State James F. Byrnes, on Oct. 18 spoke to the people over the radio, explaining the problems of the Paris Peace Conference and outlining in considerable detail our foreign policy and our firm but patient attitude toward Russia. The text of the complete address follows:



James F. Byrnes

It is now fifteen months since a decision was reached at Potsdam to set up the Council of Foreign Ministers to start preparatory work on the peace treaty for Italy, Bulgaria, Rumania, Hungary and Finland. Those months have been hard, difficult months.

At the Council of Foreign Ministers and at the Paris Peace Conference your representatives were a united and harmonious delgation acting under the guidance and instructions of the President of the United States.

The difficult tasks were unmeasurably lightened by the splendid work and cooperation of my associates, Senator Connally, Democratic chairman of the Foreign Relations Committee, and Senator Vandenberg, spokesman for the Republican party in foreign affairs.

In the conference we have represented no political parties. We have been united in representing the United States.

After every great war the victorious Allies have found it difficult to adjust their differences in the making of peace. Even be-

(Continued on page 2140)

The Outlook for World Trade

By PHILIP D. REED*

Chairman of Board, General Electric Company

Prominent industrialist stresses importance of foreign trade to our expanding economy, and asserts elimination of obstacles and barriers would enlarge our trading area, our employment and our living standards. Points out foreign trade is two-way street and favors reduced tariffs for larger imports. Expresses strong opposition to foreign state monopolies, in view of our need for imported raw materials. Says we should advertise advantages of American economic system abroad and keep the Nation strong, economically and militarily, while standing firm against Russian communistic propaganda.

Not long ago, I was discussing the foreign situation and the outlook for world trade with a group of my business friends. Some of the questions and comments ran about as follows:

Philip D. Reed

"What can the rest of the world offer to us, the greatest economic power on earth? Are there real honest - to - goodness profit opportunities in foreign trade? Or is our concern about peace treaties, reciprocal trade agreements and the United Nations essentially negative, essentially defensive, in that we fear another war may be in the making if we fail to help out with loans and food and by sending a few astute chaps like Jimmie Byrnes to Paris to see that the other big countries don't run off with the show?"

And continuing, they said:

"It certainly is clear that Russia wants a lot of countries to adopt her single party totalitarian system. So what, provided we hold on to ours? And it's clear, too, that even in countries where the Communists aren't in control, like Britain and Western Europe, many important industries have been nationalized since V-J Day and will be operated by their governments without competition. We think that's very foolish and is bound to result in backsliding industries with poorer products and, unless they are subsidized in one

(Continued on page 2139)

*An address by Mr. Reed before the 280th Meeting of the National Industrial Conference Board, New York City, Sept. 26, 1946.

Profit Motive for Workers Can Correct Production Lag

By J. F. LINCOLN

President, Lincoln Electric Co.

Mr. Lincoln asserts present labor situation represents "glorified leaf-raking" — that is, full employment without adequate production. Holds shortages can be eliminated by providing workingman with profit motive. States the benefits of incentive plan technique, with the removal of ceilings on workers' earnings, are shared by stockholder, worker, and customer through reduced prices.

The country has high-level employment. Wage rates are high in dollars. The Golden Age for the working man has arrived — and nobody is very happy about it, least of all the workingman.

J. F. Lincoln

What the country is experiencing is glorified leaf-raking, similar to the relief employment provided during WPA days. We have employment, but we are not producing the things we must have for a high standard of living. This time, however, there are few who question that it takes productive employment, not just leaf-raking, to create real wealth. Even the leaders of the labor unions are coming to agree, but they insist upon having their own way before urg-

(Continued on page 2141)

GENERAL CONTENTS

Editorial

	Page
As We See It	2133

Regular Features

From Washington Ahead of the News	2133
Moody's Bond Prices and Yields	2145
Trading on New York Exchanges	2143
NYSE Odd-Lot Trading	2143
Items About Banks and Trust Cos.	2148

State of Trade

General Review	2135
Commodity Prices, Domestic Index	2146
Weekly Carloadings	2147
Weekly Engineering Construction	2145
Paperboard Industry Statistics	2147
Weekly Lumber Movement	2147
Fertilizer Association Price Index	2143
Weekly Coal and Coke Output	2144
Weekly Steel Review	2145
Moody's Daily Commodity Index	2145
Weekly Crude Oil Production	2144
Non-Ferrous Metals Market	2146
Weekly Electric Output	2144
Bankers' Dollar Acceptances Outstanding at July 31	2143
NYSE Bond Values at June 28	*2062
NYSE Share Values at July 31	*2062
Cement Output in July	*2062
Commerce Dept. Reports Income Payments to Individuals During June	*2062

*These items appeared in "Chronicle" of Oct. 21, on pages indicated.

As We See It

EDITORIAL

Accelerated Decontrol

The authorities in Washington have at length seen a political light, and have accordingly begun what is described as an accelerated program of decontrol. They have obviously come to the conclusion that a great many voters in this country "have had enough." It might be interesting to trace the course of the economic reasoning by which the conclusion was reached only a short time ago that all this multitude of price controls were absolutely essential but by which it is now found that they are unessential and in the way of progress. At least it would be interesting if any really serious attempt had been made or was being made to "explain" such an about face or even to rationalize it. But little or nothing of this sort has been attempted, and it is about as well that it has not, since no amount of sophistry could even half conceal the fact that all this is "politics," pure and simple.

It would likewise be interesting to learn how it comes about that a President and an Administration which, according to their own repeated testimony, on one day had been robbed by Congress of any power to do anything about the OPA and its works, finds on the next day ample power to do anything they desire. But this, too, is not regarded by the authorities to be of any great importance. They do not even make any mention of it at all now—and it is about as well since it was largely a sham in any event. The really important fact about this aspect of the matter is that the President, for all practical purposes, has the power to turn the OPA on or off at will—as his recent action fully demonstrates. And since this is true we have here an instance when it is quite proper and quite wise to look a gift horse carefully in the mouth.

(Continued on page 2133)

From Washington Ahead of the News

By CARLISLE BARGERON

It is significant of what is apparently going to happen on Nov. 5 that the so-called Liberals are already singing their Swan Song and planning for the future. They figure they are through, temporarily, indeed, with Truman's throwing over of controls. It is a fact, too, that the historians looking back over these times, will record that at least something was due to Mr. Truman: That reluctantly or not, he bungled the country back into the Free Enterprise system.

Carlisle Bargeron

So many of us have for so long been crying for this, that it is amazing we are not singing Mr. Truman's praises instead of condemning him for his bungling. There was never a greater bungler than Roosevelt the Great. The difference is that he bungled us into the wrong way.

But getting back to the "Liberals," without controls they are sunk and they have come to be quite prepared for Nov. 5. That they believe they are to be out but temporarily, though, is without doubt, and of some importance to our future. They do not intend to remain out. They figure we are in for a boom and bust, that they will return in the latter period and remain forevermore. What they want to come about, they most surely will try to bring about.

They are looking for history to repeat itself, this time more quickly.

After World War I, we had a boom, then a depression and then came the roaring 20's. There was a tremendous political reaction after the war, they recall. But coincident with the economic upturn, there came to Congress in 1922, some 22 members who were to become known as the Sons of the Wild Jackass, and who down over the years, raised delightful political cain. In the heydey of our prosperity, they enjoyed quite a

(Continued on page 2137)

Let Us Not Forget!

"We never did have enough tungsten, manganese, chromium, bauxite and many other essential metals and minerals for our needs. Today we haven't even got enough copper, lead, zinc, high grade iron ore. We are compelled to import these and many other items in large quantities. Heretofore the emphasis in our foreign trade has been on exports; the time is probably not far distant when the emphasis will be on imports. . . .

William L. Clayton

"Before the war we produced about 50,000,000 to 60,000,000 tons of steel. Now it's about 80,000,000. That means we must import more chrome, more manganese, more tungsten, more high-grade iron ore. We need more of all these things. We are no longer anywhere near self-sufficient.

"We need more bauxite because our aluminum production has gone up. Take copper. Today we must import it in large quantities to meet our domestic needs. We will be importing it from this time on out. Copper people tell us our reserves are good only for the next 25 to 30 years. We're in a bad fix with zinc and lead also."

—WILLIAM L. CLAYTON.

There have been times of late—many of them—when it appeared that Washington officials had not the slightest acquaintance with such facts as these.

Obviously we must in justice to ourselves cease to regard ourselves as Santa Claus for the remainder of the world.

We must likewise bear in mind upon all occasions that we must always "have access" to many raw materials of foreign origin.

Industrial Activity to September 15 Reported by Federal Reserve Board

"Production and employment at factories continued to expand in August," according to the summary of general business and financial conditions in the United States, based upon statistics for August and the first half of September, issued on Sept. 28 by the Board of Governors of the Federal Reserve System.

"The value of retail trade reached new record levels, reflecting partly further advances in prices for goods," said the Board, which added that "in the early part of September prices of agricultural commodities were reduced considerably by Federal action." The Board's announcement of Sept. 28 continued:

Industrial Production

"Industrial production rose further in August to a new peacetime peak and, according to the Board's seasonally adjusted index, the level of output was 176% of the 1935-39 average as compared with 172 in July.

"Production of durable manufactures continued to gain, reflecting further advances in output of metals and metal products. Activity at steel mills averaged 88% of capacity in August as compared with 85% in July and operations in September have been maintained at about the August rate. Output of copper continued to advance in August and exceeded the pre-strike rate in January. Activity in the machinery and automobile industries increased in August. Output of passenger cars rose 10% and trucks, 13%; production of trucks totaled 105,500 units, which was the highest monthly rate on record.

"Production of nondurable goods as a group advanced in August to the same level as in June, 162% of the 1935-39 average, after a large decline in July, due chiefly to vacations in the textile, leather, paper and tobacco products industries. Output of paperboard rose in August to a level slightly above the previous peak and continued at about this rate during the first three weeks of September. Federally inspected meat production in August, after allowance for seasonal changes, was 16% below the high July rate and a sharp further curtailment occurred in September. Output of flour and bakery products showed further large gains in August, reflecting improved wheat supplies. Production of most other nondurable goods increased slightly from July to August.

"Minerals production declined 2% in August, reflecting slight decreases in output of coal and crude petroleum. Output of metals showed little change.

Construction

"Value of construction contracts awarded, as reported by the F. W. Dodge Corp., declined somewhat further in August, reflecting a drop of one-fourth in nonresidential building awards. Residential building awards increased slightly in August following large decreases in June and July. Value of new construction activity continued to rise in August, but preliminary figures indicate that activity showed little change in September.

Employment

"Nonagricultural employment increased by about 550,000 from July to August to a level more than 1½ million above August 1945. Over 300,000 workers were added in manufacturing, and employment in most other industries continued to increase. The number of persons unemployed declined by 230,000 in August.

Distribution

"Department store sales in August reached a new high of 289% of the 1935-39 average as compared with 273 in July and an average level of 254 in the first half of the year, according to the Board's seasonally adjusted index. Sales during the first three weeks of September continued at a high level. Value of department store inventories, after allowing for seasonal changes, increased from 222% of the 1935-39 average at the end of July to 225% at the end of August.

"Freight carloadings continued to rise in August and, after allowing for seasonal changes, were at the highest level since the early part of 1945. Increased shipments of coal, coke, forest products and miscellaneous freight more than offset declines in other classes.

Commodity Prices

"Prices of livestock and meats were reduced sharply at the beginning of September by the re-establishment of Federal price ceilings over these commodities. Reflecting mainly that action, the general index of wholesale prices declined 4% from the middle of August to the latter part of September, following an advance of 13% in the preceding six weeks after the lapse of Federal price control. Prices of dairy products and some other agricultural and industrial commodities have advanced further in recent weeks.

Agriculture

"Crop production this year is expected to be slightly larger than the previous record reached in 1942 despite the small cotton crop and reduced output of oil-bearing crops. This is the second season of a small cotton crop and stocks have been reduced considerably from the high levels existing from 1938 to 1945, but the carryover on Aug. 1 was still substantially larger than the average levels prevailing in earlier years. The feed supply situation is expected to be improved this season because of the larger feed crops as well as the reduced number of livestock on farms. Total output of fruits and vegetables is indicated to be substantially greater than last season and larger than in any previous year.

Bank Credit

"Treasury withdrawals from its deposits at banks to retire public debt, together with an increase in currency in circulation, in August and early September, resulted in moderate pressure on member bank reserves and banks sold short-term government securities to the Reserve Banks. In the first half of September deposits of businesses and individuals increased considerably and required reserves rose by about $200,000,000. There was some decline in the following week, largely the result of income tax payments.

"Commerial and industrial loans at member banks in 101 leading cities showed a further sharp increase during August and the first three weeks of September and have risen by about $1.5 billion since June. Real estate and consumer loans also continued to increase. Loans for purchasing and carrying securities declined by over $500,000,000. Holdings of Treasury certificates declined by about $2 billion, reflecting primarily Treasury debt retirement operations, while holdings of Government bonds increased slightly further.

Security Prices

"Prices of common stocks declined sharply during the first three weeks of September. Bond yields rose somewhat in August and September, while short-term interest rates showed little change."

Coffee & Sugar Exch. Reopened for Trading In Coffee Futures — OPA Removes Curbs

After a period of enforced inactivity, Vice-President John C. Gardner (acting President) of the New York Coffee and Sugar Exchange, formally reopened the Exchange on Oct. 21 for trading in coffee futures, signalizing this by welcoming the members back to the floor.

At a special meeting of the Board of Managers of the Exchange on Oct. 17, a resolution was adopted, stating that:

"Whereas, on Oct. 17, 1946, by order of the Office of Price Administration, restrictions limiting the free trading in coffee were lifted,

"Be It Resolved, that trading in Coffee Contract A (basis 4) and Coffee Contract D (described Santos No. 4 Contract) beginning with December 1946 delivery be resumed at 10:30 a.m. on Monday, Oct. 21, 1946."

In his remarks to the members incident to the reopening of the Exchange, Mr. Gardner said in part:

"For 64 years (except for temporary closing in periods of national emergency) this Exchange has performed an important and useful economic role in the production, processing and marketing of coffee; and for more than 32 years it has proved its worth to the producers and consumers of sugar. We have come to regard our quotations as symbols of a free market, which means free enterprise, and free men acting according to the dictates of their own judgment in a free society; for in no other kind of society do free markets exist.

"Let us therefore be on guard to preserve the free market. It is all too easy to feed upon the pap offered by bureaucracy and the paternalistic 'do-gooders' who offer what may at times appear to be the easy way, the pleasant way. But if we yield to the temptation of subsidies, fixed prices, guaranteed margins, divided markets, and all the other bait in whatever guise presented, we will ultimately find our muscles flabby and without the strength to resist the enslavement which must be inevitably follow.

"Our sugar ring is still silent. We hope that the recent marked trend of public sentiment and especially the events of the past few days have hastened the time when sugar trading can be resumed. We are working toward that end. However, let that silent ring be a constant reminder that the battle for free markets is not yet fully won; and that there are still grandiose plans afoot for extending indefinitely on an international scale many of the agricultural controls foisted upon us during recent years under the guise of wartime necessity.

"The members of this Exchange, then, can best serve their own interests and the interests of their fellow citizens by continuing the fight for the complete restoration of a free market in both coffee and sugar—our market, operating in a free economy, functioning smoothly and without external hindrance in the movement of millions of tons of sugar and millions of bags of coffee from producer to consumer."

Mr. Gardner added:

"I consider it a happy coincidence that on the day we reopen the Exchange the members will elect as its President, to fill the office left vacant by the resignation of Mr. Silence, a man who has served them well in the past and has done much to make this reopening possible, Chandler A. Mackey."

Mr. Mackey followed with the remark that:

"The coffee industry of the United States is now in the hands of coffee men. The charter of the New York Coffee and Sugar Exchange, Inc. states that one of its purposes is to provide a market place for the purchase and sale of coffee. When you hear the sound of this gavel the Exchange will once again be serving the coffee industry. It gives me a great deal of pleasure to sound this gavel."

As a step towards the resumption of coffee trading on the New York Coffee and Sugar Exchange, Inc. the Board of Managers at a meeting on Sept. 4 instructed its Coffee Committee to explore with the Office of Price Administration, Washington, the possibility of securing an amendment which would provide prospective buyers and sellers on the Exchange with benefits equivalent to those granted the Trade under Amendment No. 16. The necessity for this, said advices from the Exchange on Sept. 4, was occasioned by the fact that the Office of Price Administration when issuing Amendment No. 16 failed to amend that portion of the original order which governed Exchange operations.

Wallace Deputy Gov. Home Loan Bank System

The appointment of Frederick Earl Wallace, Commissioner of Banks of Massachusetts, as Deputy Governor of the Federal Home Loan Bank System, was announced on Oct. 7 by Harold Lee, Governor of the System. In his new post Mr. Wallace will direct the supervisory and examination functions of the Federal Home Loan Bank System, in connection with the 1,473 Federal savings and loan associations now in operation and the 1,018 State-chartered associations whose investors' accounts are insured through the Federal Savings and Loan Insurance Corporation. Mr. Wallace is a resident of Wakefield, Mass. Born in Easton, Pa., he began his career as a banking and home financing executive by service with financial institutions in Boston, including the First National Bank. For a year he represented that bank in Buenos Aires. During the early '20s he was successively Chief Bank Examiner and special assistant to the Massachusetts Commissioner of Banks. Later he became Vice-President of the Webster and Atlas National Bank of Boston. In 1944 he accepted appointment as State Commissioner of Banks, with the task of effecting a reorganizatioin of the Department of Banking.

H. H. Pease President Mach. Tool Builders' Assn.

Herbert H. Pease, President of the New Britain-Gridley Machine Division, the New Britain Machine Co., New Britain, Conn., was on Oct 9 elected President of the National Machine Tool Builders' Association at the Association's Annual Meeting held at the Chateau Frontenac, Quebec. Alexander G. Bryant, Vice President of the Cleereman Machine Tool Co., Chicago, was elected first Vice-President and L. D. McDonald, Vice-President of the Warner & Swasey Co., Cleveland, Second Vice-President. Louis Polk, President of the Sheffield Corporation, Dayton, was elected Treasurer. H. L. Tigges, Vice-President and Sales Manager of Baker Brothers, Inc., Toledo, Mr. McDonald, and Mr. Polk were elected directors of the Association. Tell Berna continues as General Manager of the Association and Mrs. Frida F. Selbert as Secretary.

Wants American Agriculture Unregimented

J. A. Higgons, Jr., Executive of National Association of Commodity Exchanges, asks Congress to study World food situation with view to preventing displacement of American free markets in commodities by international controls. Sees drift towards collectivization of agriculture on Soviet model.

With food supplies lower than during wartime and the future of American agriculture threatened by "world pools," the National Association of Commodity Exchanges and Allied Trades, Inc., through its executive vice-president, J. A. Higgons, Jr., on Oct. 13 urged a thorough Congressional study of international proposals involving regimentation of our agriculture on a world-wide scale and allocation of food supplies on an international minimum-standard basis.

Mr. Higgons' action was taken in the form of a letter to John W. Flannagan, Jr., Chairman of the House Committee on Agriculture. The committee is making a study of the world food situation and its implications on American agriculture.

"Concerted efforts are being made by persons in high Government circles to supplant our time-tested American methods of agricultural distribution by a world-wide totalitarian system, having for its goal the collectivization of agriculture on the Soviet model," the letter declared. "The activities of these proponents of a communistic economy for America have progressed from insidious, behind-the-scenes furtherance of their schemes to open, official advocacy—whether authorized or unauthorized—of their concepts.

"The goal of this effort seems to be to displace American free markets in commodities with Government controls on an international scope. This would require controls even more drastic than those imposed by our Government during wartime and now extending into the postwar period. It would mean an end to free markets in this country. It would obviously involve a material lowering of the American postwar standard of living. It would also involve more drastic regimentation of the American farmer than ever before envisioned."

The letter cited utterances by Fiorello H. LaGuardia, Director General of UNRRA, Henry A. Wallace, former Secretary of Commerce, and Howard R. Tolley, Director of the Division of Economics and Statistics of the United Nations Food and Agricultural Organization, as proclaiming American support of the plan. It declared that if they spoke with authority, "American institutions are in imminent peril," and if they did not speak with authority, "their pronouncements should be promptly and vigorously repudiated."

Mr. Higgons, in making public the letter to Mr. Flannagan, pointed out that the threat to our domestic agriculture is being heightened by a situation with international ramifications in other commodity trades. "International controls and behind-the-scene agreements with regard to various commodities moving in international trade are having a disastrous effect not only in trade in those commodities but on agriculture as a whole," he said. "There is no doubt that, if continued, they will cause irreparable injury to our agriculture."

"The great dangers of these international controls were emphasized by the House Committee on Postwar Economic Policy and Planning, in a report last spring, which said in its conclusions: 'In general, the solution for restoring and expanding international trade should be found, not in perpetuation or adaptation of wartime controls, but in the elimination or reduction of governmental barriers to private international trade throughout the world.'"

"Wartime controls," the Association's letter to the committee chairman said, "were accepted on the basis of patriotism; while the new controls are being urged on the basis of humanitarianism. "They are being urged," he added, "in the face of the failure of the Government's methods, employed since the war's end, to achieve their ostensible objective of relieving the world food shortage. This matter must ultimately and inevitably come before the Congress if the advocates of those plans are to obtain final authority for their consummation. It is vital to our whole economy that the plans be thoroughly exposed and understood before any such attempt is made on the plea of emergency."

Mr. Higgons said that his association not only spoke for leading commodity exchanges and representatives of the commodity trades but also represented the views of "the vast majority of farmers, processors, distributors, bankers, brokers, commission merchants, warehousemen, insurance men and others who would suffer directly by the elimination of our free markets and the substitution of a totalitarian economy."

The letter said that the FAO program was being developed "with little open discussion or public knowledge of its implications. Although the American people have been told little about it and, apparently, no official approval has been given by the United States Government, various individuals in high official places have presumed to speak for this country in proclaiming American support," it added.

An address by Mr. LaGuardia before the FAO in Copenhagen on Sept. 5 was cited. In this address, Mr. LaGuardia was quoted as laying bare what he alleged were "the failures of the present system of distributing food" and pleading with FAO "to discard a system in which one country has abundance and another is in need." Mr. LaGuardia was also quoted as declaring that "it is no use saying we are not going to interfere with free exchange and free sales" and as suggesting a plan of national and world health standards fixing the surplus as the quantities needed for minimum health.

The letter also quoted from an article by Mr. Tolley in a Department of Commerce publication, outlining the FAO plans for a "world machinery" to "ensure that sufficient food is produced and distributed to bring the consumption of all people up to a health standard." Under this plan, nutritional "targets" for the various countries are set up, and a comparison is shown of prewar consumption of food supplies in the various countries and the additional amounts that would be provided for deficit countries.

"Underlying all of these utterances is an obvious manifestation of wide bureaucratic opposition to free enterprise and an effort not only to continue but to extend totalitarian methods adopted under the guise of wartime emergencies," said Mr. Higgons. "Under this plan the judgment of persons who are experienced in commodity fields is supplanted by that of the bureaucrats. The machinery whereby the prices of commodities have been established for many years would be scrapped for a system of remote control.

"The commodity exchanges and trades are prepared and eager to play their full part in the humanitarian efforts of this country to relieve hunger abroad. But they, in common with all lovers of freedom and democracy, maintain that this aim can best be accomplished in the American way."

Death of Mrs. A. G. Dana

The death occurred on Oct. 14 of Mrs. Arnold Guyot Dana, whose husband was formerly for many years associated with the "Commercial and Financial Chronicle" in an official and editorial capacity. Mrs. Dana died at her home in New Haven, Conn. where Mr. Dana has resided for some 25 years. As noted in the Brooklyn "Eagle" of Oct. 15, Mrs. Dana, [Grace Newton Dana] the daughter of the late Albro J. Newton, was born in Brooklyn and lived for 50 years on Brooklyn Heights. She attended Packer Collegiate Institute and Mrs. Platt's School in Utica, later studying in Dresden. She was a musician and for many years the Schumann Club of Brooklyn met weekly at her home. Other clubs in Brooklyn in which she was interested included Mrs. Field's Literary Club and the Twentieth Century Club.

In locating in New Haven, Mrs. Dana became a member of the Connecticut Society of the Colonial Dames, the Fortnightly Club, the Music Club and Our Society.

Besides her husband, who was a son of the late Professor James Dwight Dana of Yale, said the "Eagle," Mrs. Dana is survived by two daughters, Mrs. Thomas D. Hewitt of Greenwich and Mrs. Philip H. English of New Haven; a son, Albro N. Dana of Providence; a brother, William L. Newton of Greenwich; a sister Mrs. Eugene S. Graves of Providence; six grandchildren and one great-granddaughter.

Mr. Arnold G. Dana was also a nephew of the late William B. Dana, founder, editor and publisher of the "Chronicle."

Fletcher Leaves CED

The resignation of C. Scott Fletcher as Executive Director of the Committee for Economic Development was announced on Oct. 21 by its Chairman, Paul G. Hoffman. Mr. Fletcher has been elected President of Encyclopaedia Britannica Films, Inc., with offices in Chicago, and assumed his new duties at once. He will be associated with CED as a trustee and as a member of its Research and Policy Committee, Mr. Hoffman said.

Under Mr. Fletcher's leadership, the CED report of Oct. 21, added, more than 2,900 local CEDs were formed in the three years prior to V-J Day. After serving first as director of the CED field development program, Mr. Fletcher later became executive director and continued in that capacity until he resigned.

In his new position, Mr. Fletcher plans a large scale program of expansion and intensification of all of the visual educational activities of Encyclopaedia Britannica Films. He succeeds E. H. Powell as President, the latter, who also is President of Encyclopaedia Britannica, becoming Chairman of the board of the films corporation. Prior to World War II Mr. Fletcher was general Sales Manager of the Studebaker Corporation. He went with CED in 1942 as a wartime service and has now returned to private business.

The State of Trade

Total industrial production continued to hold close to the peacetime peaks the past week. Such important weekly business barometers as steel ingot output, electric power production and coal and crude oil output all reflected a slightly higher trend, and thus in effect, partly offset modest declines in other industries. Production as in past months, was frequently limited by the available supply of raw materials and component parts and by shortages of skilled labor.

For the the third straight week continued claims for unemployment compensation veered downward, being 1.4% lower in the week ended Oct. 5, while the upward trend in initial unemployment claims which jumped 20% was largely the result of the sharp increase reported in Pennsylvania.

In the automotive industry production of cars and trucks in the United States and Canada last week totaled 89,687 units, making for a slight gain over the previous week's revised figure of 86,330 units, according to Ward's Automotive Reports. In reviewing the materials situation with respect to car output, reports in some quarters state that steel continues to be the main obstacle to increased production and in refutation, "The Iron Age," in its summary of the steel trade for last week had the following to say:

"The bare statements from Detroit last week that automotive plants were being shut down because of the steel shortage fell far short of presenting the total picture. While certain types of steel have not been reaching many automobile companies in the qualities desired to maintain an exceptionally high rate of automobile production, Detroit has admitted that shortages other than steel have been just as serious—these include copper, lead, fabrics and other items."

The stock market last week altered its downward course following the President's decontrol speech and registered the largest single day's gains since the outbreak of war in September, 1939. The cotton market in the same week, following a three day break which started on Wednesday and ended on Friday, saw cotton decline approximately $30 a bale, with losses attributed to one operator estimated at about $5,000,000. It was reported that it was this same speculator whose distress selling on the New York and New Orleans Cotton Exchanges broke those markets and forced all cotton exchanges in the country to close on Saturday to permit time for lifting the load of distress cotton off the market. It was likewise reported that hundreds of small and large speculators who had paid up to 39 cents a pound for cotton were wiped out in the break.

With the lifting of meat controls, both wholesale and retail, meat prices dropped sharply as growing consumer resistance to inflated meat prices made itself felt. Steer beef was down as much as $10 per hundred pounds and cow beef as much as $14 from Friday's wholesale prices in packer branch houses. C. F. House, market news analyst for the United States Department of Agriculture, reported that trading on Monday at the wholesale level was very slow because consumer resistance to high prices last week resulted in many retailers carrying over supplies. For the first time in many weeks, House said, there was a "normal to liberal supply" of all meat except beef and pork in the wholesale market. Last Friday witnessed the heaviest shipment of livestock to move this year into the stockyards of Chicago with additional meat promised for the current week.

"Demand for bank credit continues phenomenal," states "Business Week" magazine in its current issue, adding, "there is more than a suspicion that a big hunk of the money is going into inventories. The latest report on Federal Reserve members' commercial loans shows an unprecedented jump of $217,000,000 in the week ended Oct. 9. The headlong rise that started in the last week of June has raised loans by $1,750,000,000. The total, which long since outdistanced all past records, now stands at $9,381,000,000." Consumer borrowing should be watched, along with bank loans, the magazine warns, for any indication that too much of our prosperity might be based on credit.

The increase in retail volume during the week was moderate with total volume at a level well above that of the corresponding week a year ago. The supply of many goods rose fractionally with some of the largest increases reported in the durable goods line. A rising interest in home furnishings was reflected in much of the current demand for furniture, appliances, curtains and bedding.

Wholesale volume rose for the sixth successive week ending last Wednesday and it continued to be well above that of the corresponding week a year ago. Increased supplies of durable goods attracted many buyers. Order volume remained high, but deliveries generally, were unimproved.

Steel Industry—Although price controls in the metalworking industry and particularly in the steel groups may remain in effect during the immediate future for those items which are still considered short, it was apparent last week that the Administration would eliminate price controls as rapidly as possible, according to "The Iron Age," national metalworking paper.

The steel industry was proceeding last week on its price adjustment request on the basis that OPA controls will remain in effect. It is significant that the price request now before the OPA is in the form of higher prices for specific products on which the return is low and not on a horizontal or across-the-board basis.

Should controls on basic materials be rapidly removed it can be expected that price increases will multiply, but on the other hand an adequate check to such moves may present itself in a stiffening in customer resistance, "The Iron Age" states. That steel consumers have already become cautious in their buying habits in the midst of serious steel shortage rumors has been apparent for some weeks as manufacturers eye their inventories and scale down their 1947 manufacturing patterns into better alignment with available steel supplies.

The probability that price controls will be removed at an accelerated rate plus the substantial production of steel expected over the next three months is expected to cause more serious thought in the metalworking industry than has been the case for some time. Major steel producers are well aware of the higher costs encountered by manufacturers of durable and nondurable goods and for this reason, the magazine points out, pricing policies of individual steel companies in the event of a rapid lifting of controls are expected to reflect a conservative attitude.

It was disclosed the past week that many large building projects have been dropped because of the high cost of materials. One rail-

(Continued on page 2142)

As We See It

(Continued from first page)

Pre-Election, Post-Election

It has happened more than once in our history, it happened more than once during the Roosevelt Administration, that broad concessions were made to public demand prior to important elections and repealed or in some other way rendered null and void almost as soon as the vote had been counted. It could happen again. We still have a government by men—perhaps we should say by a man—and not by law. So long as this is true we are dependent upon the turn of mind of a single individual, or at the very most a very few individuals, for the conditions under which we must live and earn our bread. Such a state of affairs is particularly burdensome to the businessman—and in one sense at least all of us are businessmen—who must daily plan for the future, often for months and even years ahead.

It has been repeatedly noted that a substantial part of the vagaries of the markets during the interlude last summer when there was no OPA is to be attributed to uncertainty as the whether, when and in what form the OPA or some equivalent of it would return to plague us. It is probably true that the same degree of uncertainty does not exist today, but certainly he would be naive who accepted as a foregone conclusion the notion that the presently proclaimed "decontrol" movement will continue unabated after the elections until no emergency controls are left. We venture the opinion that what happens in these particulars after the voting will turn in large part upon what appears to be the trend of popular opinion or political expediency — and that, of course, is a difficult thing to foresee.

A Return to Government by Law

What we need, and what we must have in this country, is not merely a "voluntary" program of decontrol by the President subject to reversal by him at his own discretion. It is nothing short of an end to the power of the President to do any of this controlling or other interfering with business and with the personal lives of us all. We must, in fine, end this government by emergency, which President Roosevelt brought into being and to which he clung so tenaciously as long as he lived, and which his successor apparently is as determined to prolong to the utmost. Until some such consummation is reached we shall always be harried either with undue, perhaps wholly unexpected, and certainly unwarranted control measures, or threats of them. We are now promised a "decontrol program" — something we have been on occasion promised in the past, but which did not long endure. That is definitely not enough.

There are several types of arrangements by which the Chief Executive holds on to all these vast war and emergency powers. The rank and file of the people of this country must see to it at the coming election that both the President and the new Congress are put on notice that an end must be put to each and every one of them. The President by simple proclamation could, of course, yield up many of these powers irrevocably. Such authority by statue ceases when this, or that "emergency" is past as determined by Congressional action or by Presidential proclamation. The fact of the matter is that these "emergencies"—so far as they ever actually existed — have long ago passed into history. The President should long ago have recognized this fact with a formal proclamation. He has not done so, and the fact that he has not, and apparently has no intention of doing so now despite recent changes in attitude, strongly indicates that the voters must take a hand in the proceedings next month.

Another Procedure

There is another class of special powers held by the President which in part at least could be shed by the Chief Executive irrevocably at his own discretion. They are powers which have been vested in him "for the duration of hostilities," for the "duration of the war," or some other similar designation. Precisely what is necessary to terminate some of these powers may be a subject about which the lawyers could argue endlessly, but, for our part, we should like to see the President issue a proclamation asserting that so far as such powers are concerned, hostilities had ceased and the war come to an end. For all practical purposes, this should suffice, we should suppose. Whether or not it would be technically possible for the President to resuscitate these powers at some later date, we should expect him to find it difficult as a practical matter to do so.

But Congress is not without its own responsibility in all this. War or emergency statutes had conferred a number of important powers upon the President to expire on June 30 last or at some other date which arrived during the past year or two. In very nearly all these cases Congress quietly, without any serious effort to call the attention of the public to what was being done, continued these powers in effect for some other stated period—sometimes, although not always, subject to prior termination by Presidential proclamation or joint resolution of Congress. Now is the time for the voters to make it crystal clear that they expect their representatives in Washington to bring a prompt end to this kind of business. Not one of these laws ought to be renewed again — and the voters can see to it that they are not.

Only by such thorough steps as these can a situation be created in which business can go forward with its task of making it possible for us all to live a more abundant life.

Truman Names Research Board

President Truman on Oct. 17 established a new board to correlate government activities in the field of science. Known as the Presidential Research Board, the group will be in effect an administrative substitute for the National Science Foundation upon which the last Congress failed to take action. Named by the President to head the new board is Reconversion Director John R. Steelman. Besides Mr. Steelman, according to Associated Press Washington advices, the 12 members include:

The Secretary of Agriculture, Secretary of Commerce, Secretary of the Interior, Secretary of Navy, Secretary of War, Federal Loan Administrator, Federal Security Administrator, Federal Works Administrator, Chairman of the Federal Communications Commission, Chairman of the Tennessee Valley Authority, Chairman of the National Advisory Committee for Aeronautics and director of the Office of Scientific Research and Development."

Mr. Truman specified that the work of the new Board would be: "To insure that the scientific personnel, training and reaerch facilities of the nation are used most effectively in the national interest." In his Executive Order the President added:

"National security and the development of the domestic economy depend upon the extension of fundamental scientific knowledge and the application of basic principles to the development of new techniques and processes.

"The nation has a vast reservoir of war accelerated technonogical development which must be applied speedily and effectively to the problems of peace—stepping up productivity in both industry and agriculture, creation of new farm and factory products and advancement of medical science."

Prague to Resume Interest

The City of Greater Prague has made an offer to resume interest payments on $482,000 outstanding dollar bonds of its 7½% mortgage loan of 1922, which have not been serviced since before the war. The Foreign Bondholders Protective Council, Inc., is prepared to recommend the plan, which calls for the payment of interest arrears in full over a period of nine years, ending Nov. 1, 1955. Under the Plan, the current interest rate will be reduced to 6% and the maturity will be extended to Nov. 1, 1960. Kuhn, Loeb & Co. are paying agents. On Oct. 1 of this year the Czechoslovak Government made similar arrangements for the resumption of interest payments on $1,723,300 of its first series and series B dollar bonds.

U. S. Asks Russia to Settle Lend-Lease Account

Russia has been requested by the United States to send a financial mission to Washington as soon as possible for the purpose of winding up its $11,000,000,000 lend-lease account, according to statements of informed government officials in this country on Oct. 12, the Associated Press stated in a dispatch from Washington. No reply has been received by the United States as yet to a note stated to have been sent several weeks ago pertaining to the $11,141,000,000 in lend-lease which it had furnished to the Soviet as of Dec. 31, 1945, in which period Russia's reverse lend-lease contributions totaled $2,213,000.

The American officials, who cannot be quoted but who are thoroughly familiar with economic policy, says the Associated Press in disclosing the lend-lease note, said the decision had been reached because of a desire to speed settlement of such accounts as requested by Congress. The note divorces the lend-lease discussions from the suggested negotiations for a $1,000,000,000 loan to Russia, it was reported. The Associated Press advices as given in the New York "Times" added:

Russia requested the loan nearly a year ago but has not agreed to American suggestions for agenda which would include examination of economic conditions in eastern Europe.

Further negotiations are stalled because of Soviet failure to answer a third American note on the subject sent about three months ago.

Britain and France, the only other of the Big Five nations to settle their accounts, both received American dollar credits needed to purchase surplus American property in the negotiations. No attempts were made to balance the direct and reverse lend-lease accounts on a dollar-for-dollar basis.

The officials did not know whether any sale of surplus goods to the Russians was contemplated. They indicated, however, that some deal by which the Soviet government would turn over real estate in Moscow to the United States for use by the embassy, as several other countries have done in their capitals, might be welcomed as part of the settlement.

Like most other lend-lease recipients, Russia received a credit to enable her to purchase stocks ordered but not yet delivered at the time the United States shut off lend-lease in September, 1945. It amounted to between $300,000,000 and $400,000,000.

Russia got approximately one-fourth of the $45,000,000,000 total lend-lease that the United States shipped to its allies during the war. Britain was the principal recipient with about $30,000,000,000.

English Gold and Silver Markets

We reprint below the quarterly bullion letter of Samuel Montagu & Co., London, written under date of Oct. 1.

Gold

The amount of gold held in the Issue Department of the Bank of England during the months of July, August and September, 1946, was unaltered at £247,833.

The Bank of England's buying price for gold remained unchanged at 172s 3d per fine ounce at which figure the above amount was calculated.

The Transvaal gold output for the months of June, July and August 1946 is shown below, together with the figures for the corresponding months of 1945.

	1946 Fine ounces	1945 Fine ounces
June	1,018,543	1,024,796
July	1,047,599	1,032,717
Aug.	1,014,081	978,097

The Indian Budget of Feb. 28, 1946, provided for a duty on the import of gold into India of Rs. 25 per tola, equivalent to £5 per ounce; it was announced on Aug. 12 that the duty was now reduced by 50% to Rs. 12.8.0 per tola, equal to £2.10.0 per ounce.

Silver

The official price of silver in the London Market was advanced on Aug. 6 from 44d to 54½d per ounce .999 fine. The previous rise was on Sept. 24, 1945 when there was an advance from 25½d to 44d—an increase of 18½d as compared with 11½d in the present instance.

The raising of the London price was not unexpected, following as it did the adjustment of the differences between the U. S. Senate and the House of Representatives over the price for the purchase and sale of domestic silver by the U. S. Treasury. On July 20 news was received of the passing by both Houses of a compromise Silver Bill which fixed the Treasury's buying and selling price for domestic silver at 90½ cents per fine ounce; the measure received the Presidential signature on July 31. The sterling equivalent of 90½ cents is approximately 54d per ounce.

In August, the London Market received official intimation of a relaxation of restrictions on the export of silver from the United Kingdom to India. Licenses are now being granted to export to India silver originally imported from certain approved quarters. Sales have been made to India and some substantial shipments effected. Although eligible supplies are, at present, rather limited, the development was welcomed as a step towards a return to more normal conditions.

An announcement was made by the Chancellor of the Exchequer on Sept. 26 that "in view of the high price and world shortage of silver the Government intend to introduce legislation as soon as Parliament reassembles to provide for the gradual substitution of cupro-nickel coinage for the existing silver coinage."

A bill passed in 1920 reduced the fineness of United Kingdom silver coins from 925/1000 to 500/1000 and now, under a new act, silver is to disappear from the coinage altogether. The withdrawal of silver coins from circulation will provide the Government with supplies for the repayment to the U. S. A. of a large portion of the silver obtained under lend-lease agreements and which is returnable within five years from the end of the emergency.

In the Bombay Market prices ranged between Rs. 152 per 100 tolas in July and Rs. 171.12.0 in September; the sterling equivalents are about 73d and 82 7/16d per ounce respectively (without allowing for import duty and expenses). Weakness shown in July was attributed to the uncertainty then prevailing as to the outcome of U. S. silver legislation and another factor was the approval of the American loan to Britain. A firmer tendency set in during August, following the raising of the silver price in New York and London.

The Indian Budget of Feb. 28, 1946, increased the import duty on silver to Rs. 18.12.0 per 100 tolas, equal to 9d per ounce; it was announced in New Delhi on Aug. 12 that the duty was reduced to Rs. 9.6.0 per 100 tolas, which is equivalent to 4½d per ounce.

Small Reports on Production and Urges Longer Work Week

John D. Small, Civilian Production Administrator, presenting his monthly report on civilian production at a news conference on Sept. 27, declared that a longer work week would be necessitated for many industries if a "substantial increase in over-all production" is to be achieved. Mr. Small asserted, according to advices to the New York "Times" from Washington, that the present rate of production, maintained to the end of the year, would eliminate most of the problems of reconversion. "If things continue the way they have been running the last few months," Mr. Small continued, "we are going to be very short of manpower by the end of the year." The advices to the "Times" added:

"The number of persons employed last month stood at 58,000,000 while unemployment declined by 230,000 to stand at 2,000,000, the lowest figure since December, 1945, Mr. Small reported.

"He regarded this decline coincident with virtual demobilization of the armed forces, as an indication of the rapid exhaustion by industry of the labor resources released by the ending of the war.

"Pointing out that the jobless total included unemployables, the administrator felt that reinforcement of the country's labor force could come only from women and retired individuals who had been temporary war workers and that "it was not easy to get back married women and retired people."

"With many industrial plants already operating at capacity, the report stated "increased productivity of currently employed labor is needed now to bring about higher levels of production and thus combat inflation."

"This was interpreted by Mr. Small to mean "more production per hour and more hours per week." He emphasized that this suggestion included overtime pay for the additional working time.

"The CPA's monthly report showed that with the production of basic materials at close to capacity, industrial output climbed in August to a new postwar peak.

"Building materials made "spectacular gains," with increases of from 20 to 35% in one month in the output of plumbing fixtures and other critical construction products. The production of nails, a reconversion bottleneck, climbed 18% to the highest levels so far this year.

"Almost all kinds of consumer goods showed production advances over the previous month, with the leading categories being passenger tires, up 18%. Refrigerators and sewing machines fell short of prewar production rates.

"In the textile field, the report said that cotton broad woven goods hit their highest point of the year in August, with a production rate of 183,000,000 yards a week.

"Mr. Small indicated that he anticipated a decline in shoe production during the coming months as a consequence of the decline in cattle slaughter, which deprives tanners of hides and leather."

OPA Lifts Meat Price Controls—Government Saves Millions in Subsidies

Price controls were officially ended on livestock, meat and food and feed products made from them, effective at 1:01 a.m. Oct. 15, by the Office of Price Administration, acting under orders from President Truman. Slaughter controls too were revoked, with consequent ending of quota restrictions.

In addition to the lifting of controls on meat, the President's action included abolition of government subsidy payments to the meat industry, which, according to a statement of an official of the Reconstruction Finance Corporation as reported in Washington advices of the Associated Press, will result in a saving to the Treasury of about $380,000,000. The RFC official said that of the $400,000,000 which Congress authorized for subsidies on meats only about $20,000,000 may be used for the purpose.

OPA economists have pointed out that ending of meat subsidies can be expected to result in proportionate price increases for the consumer. The Associated Press advices stated:

"Last year, the RFC official said, meat subsidies averaged between $50,000,000 and $60,000,000 monthly. He added, however, that since the payments resumed when price controls on meat were reimposed Sept. 1, subsidy claims from packers have averaged only about 20% of last year's.

"The Government subsidy program became a part of the price ceiling effort when prices were rolled back during the early days of control. The Treasury paid packers and slaughterers a few cents a pound, with the idea of allowing them to raise prices to livestock producers without corresponding increases at the butcher's block.

"The subsidies went out when price controls lapsed on June 30, but were reinstated at the former levels when price lids were reimposed.

"Under the subsidy program the actual allocation of funds was directed from the White House by John R. Steelman, President Truman's Economic Stabilizer and Reconversion Director. The funds were paid out by the RFC on the basis of statements received from slaughterers and packers, usually monthly."

In announcing the end of meat price controls OPA Administrator Paul Porter according to the same advices said that his agency "will announce as soon as practicable the specific list of commodities on which ceilings will be retained." He added that commodities not on that list will be decontrolled. His announcement noted that "price ceilings must be retained on important commodities and services where demand is still in excess of supply." As an example of items remaining under control were listed automobiles, farm equipment, household appliances, furniture, basic clothing items and building materials.

Markham Resigns

It was announced on Oct. 14 that James E. Markham, Alien Property Custodian, had submitted his resignation to President Truman, to return to private law practice. Operations of the office, the Associated Press reported from Washington, are being transferred to the Department of Justice under Executive order.

Italy Offers Statue to N. Y.

New York City has been offered a statue entitled, "Radio, Carrying the Heart of the World," by the Italian Government "as a token of friendship toward the American people," special advices from Washington to the New York "Times" stated on Oct. 11. The statue, which is now in New York, was exhibited by the Italian Government at the New York World's Fair.

U. S. Military Occupation Expenses In Germany

The American Military Government in occupied Germany has cost the United States more than $28,000,000 in wages so far, plus millions more for food and other supplies, the monthly report of Gen. Joseph T. McNarney showed on Oct. 9, it was stated in Associated Press accounts from Berlin on that day, which further reported:

"The American Commander said that $23,349,000 had been dispersed in salaries to maintain military personnel and $5,138,000 to American civilians and allied nationals working for the government.

"The dollar value of supplies shipped into Germany to support German civilians, displaced persons and civilian internees was not available.

"The following tonnages, however, were issued to German civilians to date: 1,283,865 tons of grain and food, 59,219 tons of agricultural supplies and fertilizer, 118,855 tons of petroleum and petroleum products, 9,418 tons of textiles, 8,500 vehicles and trailers and 12 complete hospitals with related supplies.

"Displaced persons have received 53,475 tons of food and civilian internees 602 tons of food.

"In addition, approximately 1,000,000 blankets and large quantities of clothing, footwear, soap, brooms and mops have been issued to displaced persons."

Truman Asks Prayers

In a letter to Wallace C. Speers, chairman of the Laymen's Movement for a Christian World, made public by Mr. Speers on Oct. 16, President Truman repeated the appeal first made to his fellow countrymen when he became Chief Executive that they pray for him. The letter, which was occasioned, according to advices to the New York "Times," by the President's endorsement of "Laymen's Sunday" on Oct. 20, read in part:

"I should like at this time to renew the appeal for a share in the prayers of my countrymen which I made when I was called upon to assume the office of President. The needs of this hour find eloquent expression in the prayer of Solomon:

"'Give therefore thy servant an understanding heart to judge thy people, that I may discern between good and bad; for who is able to judge this thy so great a people.'"

Bank of Manhattan Quarter Century Club

The fifth annual dinner of the Quarter Century Club of the Bank of the Manhattan Company of New York was held at the Waldorf-Astoria Hotel on Oct. 17. Of the 216 members who attended, 37 had completed their 25 years of service with the Bank during the past year. Frederick J. Freese, President of the club, presided. J. Stewart Baker, Chairman of the Board of the Bank, presented membership certificates and gold badges to the new members. Charles B. Hall, who has just completed 25 years with the bank, spoke for the new members; Arthur Wilbert for the 30-year members; Philip C. Monaghan for the 35-year members; William F. Hauser for the 40-year members; and William H. Reynolds for the 45-year members. Louis Waechter, Jr., of the bank's Park Avenue office, was elected President for the coming year.

From Washington Ahead of the News

(Continued from first page)

vogue and found their wild jackassing business quite profitable. Looking back, this writer thinks we enjoyed, tolerated, even encouraged them as a luxury just as we supported Texas Guinan, the speakeasies, and the million dollar prize fights. They were good clean fun.

These fellows were the forerunners of the New Deal. They paved the way for it. Then the New Deal absorbed them and by the time of the Great Roosevelt's passing, every single one of them had come to despise him. A single exception was old George Norris, who died before the Great Man

The "Liberals" are now looking to the vogue these fellows enjoyed for their own comfort. But just as Woodrow Wilson failed in his great global ambition, and the globaloners went into eclipse, to win ultimately with Roosevelt, so they feel they will get a new and permanent lease on life. They believe this is inevitable progress. They contemplate nothing of the long period between Wilson and F. D. They believe their temporary eclipse will be only a few years, maybe two or four.

Your correspondent finds many faults in the analogy. After Nov. 5, there will be little of their ilk left in Congress: Pepper and Wayne Morse in the Senate, and scarcely an audible voice in the House. They won't have any "Progressives" in Congress around whom to rally. Pepper is the most thoroughly disliked man in the Senate, by both his colleagues and the newspaper corps. Wayne Morse is fastly moving to that unenviable estate.

There will, of course, be Henry Wallace, the editor, and Harold Ickes, the columnist. It is a commentary on Editor Wallace that he must take his ghost writer along with him to the "New Republic." Their journalistic enterprises will be nothing like having a formidable array of talent in Congress such as the Leftists did in the 20's.

Another thing, and it is quite important: The Leftists will leave us quite imbued with Fear. They have been selling us Fear for 14 years. Every time we've gotten a little confidence they've recalled the Depression and it has come to be something which influences our children who have come along after it, who never went through it, but who have heard horrible tales about it.

So having this fear, having this deep consciousness of something that happened years ago, we are likely to have a consciousness also of the Sons of the Wild Jackass, what an absurdity they were, how utterly irresponsible they were and what quacks they were and what they led to. We aren't likely to be so tolerant of their offspring, as we were of them. If we have learned our lesson of the depression, might we not have also learned it of the fantasies that come before?

In their day, we had no way of knowing how far they would go if they came to power or how dangerous they could spawn. We remember very well a favorite expression of those days, that even if Al Capone were to be elected to the Presidency he would sober up and realize his great responsibility and turn out to be a good man. It was inconceivable to us that a politician, regardless of how radical he talked on the lower rungs, would go to the White House and there seek to organize every gang in the country, political and otherwise, into a super-gang of the totalitarian State. But we've learned. That is, if we've learned anything from the depression, we must have learned from this.

There must be a shining star over us that we are being bungled back into a Free Economy. To hold onto it we had better not again laugh at the offside "movements" in Congress. We know they can become serious.

ABA Issues Manual On Loans to Veterans

To provide banks with information about all phases of the procedures involved in making guaranteed or insured loans to veterans, the Committee on Service for War Veterans of the American Bankers Association has published an operating manual entitled "Loans to War Veterans," which will be available to all ABA member banks. "While the new manual has been published to guide banks in complying with the many requirements of the law and the regulations governing veterans' loans," says the announcement in the matter, "we believe that it is essential to sound credit that the interests of the veterans be protected. The test of a good loan to a veteran is whether or not it helps him to establish himself in civilian life," asserted Chester R. Davis, Chairman of the ABA Committee, who is also Vice-President and Trust Officer of the Chicago Title & Trust Co., Chicago, Ill.

The manual describes in detail each of the eight important steps that must be taken in making a guaranteed or insured loan to a war veteran. It sets forth the responsibilities carried by the lender in servicing such loans.

The new manual it is added is a complete treatment of the many legislative and regulatory requirements pertaining to veterans' loans. It is organized with a topical index which makes it a practical handbook for rapid across-the-desk reference, which will be useful in discussing a loan with the veteran. "While the manual appears to be written primarily for the protection of the bank," Mr. Davis said, "its chief aim is to be of service both to the bank and to the veteran. The constant emphasis it lays on sound policies and procedures is for the purpose of assuring a firm financial foundation on which the veteran might rebuild his civilian life."

Murdoch Heads Penn. Water Works Assn.

At the Golden Anniversary Meeting of the Pennsylvania Water Works Association, John H. Murdoch, Jr., Senior Counsel of the American Water Works and Electric Company, Inc., on Oct. 16 was re-elected President for the ensuing year. Mr. Murdoch has held this post since 1928. Nathan B. Jacobs of Pittsburgh, who is associated with Morris, Knowles, Inc., was re-elected First Vice-President, and W. F. O. Rosenmiller of the York Water Co., York, Pa., was re-elected Second Vice-President. Alan K. Taylor who is associated with the Brownsville Water Co., Brownsville, Pa., was elected Third Vice-President, succeeding Maj. Gen. Edward C. Shannon, deceased. E. R. Hannum of the Richland Township Water Co., Windber, Pa., was elected Secretary and Treasurer.

D. E. McWilliams, James F. McClure, Rulison Evans, W. McK. Reber and Ted A. Kain were elected members of the Executive Committee for a period of three years. George Williams was made a member of the Executive Committee to fill the unexpired term of J. N. Chester who has resigned.

NYSE Program for Foreign Share Listings

The New York Stock Exchange made public new requirements for the development, under proper safeguards, of American public investment in foreign equity securities.

"In substance," says John Haskell, Vice-President of the Exchange, in a letter to the Board of Governors, "these revisions represent an endeavor to clear the decks of any requirements of this Exchange which may restrict the development of the listing of leading foreign stocks, without sacrificing any basic principle of the Exchange's established listing policies in the interest of the general public." He recommended that they be adopted by the Board "as one step in the development of foreign listings" and the provisional requirements were accepted by the Board on Oct. 3.

Mr. Haskell furnishes the following summary of the principal items of a policy nature, contained in the new requirements as contrasted with the old ones:

"1. The old requirement that the currency of the country where the company is organized be on a gold basis is eliminated.

"2. The old requirement is continued that the Exchange would not list foreign shares where foreign government exchange restrictions prevent the free transferability into dollars of either dividends or the proceeds of sale for the account of American holders in the foreign market.

"3. While retaining the American Depositary Receipt technique as the most effective mechanical means of bridging the gap between the form and technical setup of foreign share certificates and regular New York Stock Exchange protective standards, negotiability and transferability, the new requirements do not close the door completely to listing foreign shares in the form of original certificates, provided arrangements in the particular case provide equivalent facilities to those provided through use of American Depositary Receipts.

"4. While retaining the requirement that the foreign company must be a growing concern and that the shares of small foreign companies will not be listed, the new requirements indicate that smaller companies than usually considered eligible may be accepted where their operations are of an international character or where they are associated with established United States companies. The basic consideration in the listing of shares having a broad foreign market is free interchangeability. However, many foreign governments, including Great Britain and the Argentine, have laws and regulations in effect similar to those of the United States Government applying to the securities of American communication companies which limit the total number of shares of certain industries that may be owned or voted by aliens. The proposed new requirements do not close the door to listing important issues which may have such limitations on a percentage of their stock, but instead indicate that each case will be considered in the light of the particular circumstances. This recognizes the post-war pattern of American investment abroad on a basis of partnership in local industries, rather than on the basis of 100% control.

"5. The new requirements continue as a standard for disclosure of financial statements that which is normally disclosed in listing applications and reports to stockholders of American companies. This standard would not call for the extreme amount of detail filed under the Securities Act of 1933 but even so it would represent a substantial hurdle for most foreign companies to overcome. Unless a foreign company has a pressing need for raising capital in dollars rather than in their local currency, it appears quite clear that we cannot expect many listings of the most desirable type of foreign companies until certain provisions of the Securities Acts and regulations have been modified."

Savings in Ill. & Wis. Loan Associations

A net gain of $30,324,100 in the savings invested in Illinois and Wisconsin savings, building and loan associations for the second quarter of this year was reported on Sept. 3 by A. R. Gardner, President of the Federal Home Loan Bank of Chicago. The report is based on returns from 305 associations whose accounts are insured by the Federal Savings and Loan Insurance Corporation; the FHLB's report issued Sept. 4 added:

"The Associations' ratio of new money to money withdrawn climbed from month to month during the quarter, Mr. Gardner said. In April savers put in $1.52 for every $1.00 withdrawn, whereas by June there was an inflow of $2.45 for every $1.00 withdrawn. Out of the total new money invested in insured savings and loan associations throughout the country during the second quarter, Illinois and Wisconsin institutions accounted for 15%."

Cost of Paris Conference

Peace-making is expensive business, the Foreign Office decided on Oct. 12 after toting up its ledgers, which showed that the Paris conference has cost the government $1,305,085. This is learned from United Press advices from Paris on that day. As given in the Brooklyn "Eagle" the advices also had the following to say:

"Every day the delegates have met at Luxembourg Palace for the past two and a half months the bill to the Foreign Office has been $10,170.

"That is on top of the $177,966 which the French spent in giving the Luxembourg Palace a house cleaning last Spring to remove the marks left by the Germans who used the palace as Luftwaffe headquarters during the occupation.

"Some of the money has gone for entertainment. Early in the session before the need for speed in deliberations became pressing, the Government spent $76,270 on extravagant shows and receptions at the famous opera house.

"But the big expenses have been for the actual conference deliberations. The cost of the secretariat, gendarmerie, drivers and attendants was $241,271 up to the end of September. The staff numbered 2,041."

Army to Release '45 Draftees and Misfits

A War Department announcement on Oct. 17 indicated that orders would be put into effect for the release of all remaining 1945 draftees before the end of the year, and the weeding out of "unfit" officers and enlisted men, to an extent to reduce the Army's present strength of 1,745,000 by about 435,000 men, according to advices from Washington to the "Wall Street Journal." In thus cutting the Army's strength approximately one-fourth, the demobilization is expected to save the government about $50,000,000. Although economy has been reported by some sources to be the reason for the order, the War Department stated the reason to be that the large numbers of volunteers have made it likely that the 1,300,000 men set as a limit by Congress last summer would otherwise be exceeded.

President Raises Flood Control Quota

The demands of influential Congressional Democrats displeased at retrenchments affecting their projects, resulted in President Truman's changing his economy program to the extent of granting an increase of $35,000,000 for flood-control works, on Oct. 17, according to Washington advices from the Associated Press. Instead of the $95,000,000 limit set on flood control expenditures in the current fiscal year ending June 30, $130,000,000 will be permitted, an announcement by James E. Webb, Budget Director, stated.

However, it is stated, the Administration's economy plans may not thus be materially affected since the abandonment of meat price controls have resulted in a saving to the government of approximately $380,000,000 in meat subsidies. The Associated Press added:

"But Mr. Webb indicated that a further increase in flood control allotments will be made. He also said that he and Reconversion Director John R. Steelman would act soon on proposals to increase the ceiling on reclamation projects.

Fred. Bennett Gets Comm. & Indus. Post

Appointment of Fred. Bennett, Vice-President of M. J. Corbett & Co., Inc., 8 Bridge Street, as Chairman of the Customs Service and Administration Committee of the Commerce and Industry Association of New York was announced on Oct. 7 by Thomas Jefferson Miley, Secretary of the Association. Actively engaged in foreign trade for more than 20 years, primarly in the field of shipping and customs procedure, Mr. Bennett is at present Chairman of a joint committee of foreign freight forwarders and custom house brokers for the study of relations with the Maritime Commission. He is a past President of the New York Foreign Freight Forwarders and Brokers Association. Mr. Bennett succeeds Benjamin A. Levett, customs attorney, who recently resigned after serving 27 years as head of the committee.

Name Investment Chairmen For USO Fund Campaign

Five war veterans have been named as Chairmen in the investment field for the USO's current campaign to raise $2,750,000 in New York, it was announced recently by Charles E. Saltzman, Vice-President and Secretary of the New York Stock Exchange, and Co-Chairman of the Finance and Carriers and Utilities Division of the USO's Campaign. The Chairman of the Investments Section of the campaign is Frederick M. Warburg of Kuhn, Loeb & Co. 52 William Street. Serving with Mr. Warburg, are the following heads of their respective groups in the campaign:

R. Parker Kuhn, of the First Boston Corporation, 100 Broadway, Chairman, Investment Bankers Group; Hugh Bullock, of Calvin Bullock, One Wall Street, Chairman Investment Trust Groups; Dwight Rose, of Brundage, Story & Rose, 90 Broad Street, Chairman Investment Advisers and Management Consultants Group; Oliver J. Troster, of Troster, Currie & Summers, 74 Trinity Place, Chairman Unlisted Securities Group.

The $2,750,000 New York USO campaign goal is part of the national goal of $19,000,000. This is the sum needed to carry USO through 1947, as requested by General Eisenhower and Admiral Nimitz. The budget has been sharply reduced from the war years.

United States Suspends Czech Credits: President Truman Hails Republic

The State Department on Oct. 16 halted payment of the remaining $40,000,000 of a $50,000,000 credit to Czechoslovakia extended last spring to enable her to purchase surplus American Army and Navy war property in Europe; and asked the Export-Import Bank to suspend indefinitely negotiations with the Czech Government for an additional $50,000,000 loan. This action, according to Associated Press Washington advices on Oct. 18, came as a result of Czechoslovakia angering the United States by supporting charges that America was trying to "enslave" Europe economically.

The Czech Charge d'Affaires in Washington was informed of the United States' action in a memorandum sent Sept. 28. From the Oct. 16 Washington accounts we quote:

"Uppermost among the variety of reasons given for the action was the statement that the objectives and policies of the United States in granting such credits were misunderstood by the Czechoslovakian Government.

"This statement tied in with Czechoslovakia's record at the Paris Peace Conference. There her representatives agreed with Soviet Foreign Minister Molotov and Deputy Foreign Minister Vishinsky, who repeatedly charged the United States was attempting 'to enslave' Europe economically.

"American diplomats vigorously denied these accusations, as well as others to the effect that the United States profited while others suffered during the war.

"Another of the reasons specified by the State Department was that Czechoslovakia had negotiated with Rumania for resale of $10,000,000 in American surplus property at terms which indicated the Czech Government might profit by the deal.

"State Department officials told reporters the United States had turned thumbs down on this sale when the Czech Government asked for approval after having already negotiated the pact."

The day after announcement of the State Department's action a Foreign Office spokesman in Prague, according to United Press advices from there, denied that his government ever had charged that United States loans to Europe were intended for "imperialistic" purposes.

The same day President Truman was reported to have sent a message to the people of Czechoslovakia and their President, Eduard Benes, on the occasion of the 28th anniversary of the founding of their Republic, which the President said, according to Washington advices to the New York "Times," brought to mind "the close ties of friendship which have bound the Czechoslovak and American peoples in their common struggles against the foes of democracy and freedom."

September Retail Prices Continue Steady Upward Trend Says Fairchild Report

Retail prices in September showed the seventh consecutive monthly increase according to the Fairchild Publications' Retail Price Index. "This is the first time since the upturn following the depression that retail prices have gained for seven consecutive months," said the Fairchild report of Oct. 17, which stated that "the Index at 116.7 (Jan. 2, 1931=100) shows a gain of .6%, a new high in the life of the Index. Prices also show an increase of 2.8% as compared with the corresponding period a year ago."

The Fairchild Report added:

"Every group showed gains during the month as well as over a year ago. This is the second time since the war that all groups advanced at the same time. The greatest gains were recorded by men's apparel and infants' wear. As compared with a year ago men's apparel, women's apparel, and home furnishings showed the largest increases.

"Retail prices based on the Index, have advanced 31.3% as compared with the 1939-40 low, or before the outbreak of hostilities. If it were possible to measure quality changes in many of the items included in the Index, the advance would be still greater, probably coming closer to 45%.

"Very few individual items included in the Index remained unchanged during the month. There are a great number of items which showed marked increases during the month, including sheets and pillowcases, corsets and brassieres, women's shoes, men's hats and shoes, and infants' shoes. As compared with a year ago, greatest increases were recorded in sheets, corsets and brassieres, furs, men's underwear, shirts and neckwear, hats and caps and shoes, and infants' shoes.

"Further gains in retail prices are expected for the rest of the year and possibly for the first quarter of next year according to A. W. Zelomek, economist, under whose supervision the Index is compiled. These advances will occur even with continuation of OPA. The sharpest gains will be recorded in cotton and leather items. Women's apparel prices may soften while men's apparel prices will gain further. Some further advances in consumers' durable goods items are also indicated."

Sets UN Education Day

President Truman called on all schools and colleges in the United States "to give special consideration to the problems, plans and policies of the United Nations" on Oct. 23, the day on which the UN General Assembly convened in New York. In a proclamation, reported from Washington on Oct. 17 by the United Press, the President called educational institutions "powerful weapons against the ignorance and ill will" which result in international conflicts "which the United Nations are striving to eliminate," and urged "the heads and governing bodies of such institutions to set aside a period on or about that (Oct. 23) day for appropriate educational exercises relating to the work of the United Nations."

President Truman, in endorsing the United Nations program as promising "an important contribution to public education about the United Nations," called for the observance of the week throughout the country in a message, appearing in the New York "Times" of Oct. 21 which quoted the President as saying that "it is fitting that the American people should in this way mark the opening of the first session of the United Nations Assembly in this country."

The President added:

"Only through an increased understanding of the United Nations and a resulting support of its purposes and principles can we establish the solid foundation of peace upon which we must all place our hope for the preservation of our civilization."

The Outlook for World Trade

(Continued from first page)

way or another, higher prices. But again we say, 'So what?' Our competitive system will look all the better by comparison and we will be able to outsell our foreign competition with finer and lower priced American products."

These and similar questions and observations are in the minds and on the lips of many American business men. The answers aren't as clear and simple as one could wish, but in trying to find them it helps a great deal to have one's feet solidly placed on two or three fundamental propositions. I shall endeavor to set them out in this brief talk.

Foreign Trade Good for America

My first proposition is that foreign trade is good for America. And I don't mean negatively good. I mean positively, affirmatively good. Trade is, of course, the mutually advantageous *exchange* of products or services. It is a two-way street, not a handout. The larger the volume of trade the higher the level of employment and the more goods are available to make living pleasant and comfortable. Our own country provides the classic example of the benefits of a large trading area where goods can move freely without political or economic hindrance. Our great home market and high standard of living may be importantly attributed to the fact that forty-eight sovereign states permit the unobstructed flow of goods across their boundaries.

Had the states of the Union in the early days created tariff barriers, attempted to protect budding industries in newly developed areas, or had they sought by state line import duties to equalize differences in wage levels or living standards between sections of the country, America would be a very different and a much poorer place in which to live.

It is a matter of historical accident that our national boundaries are where they are. Had they by some circumstance included Canade on the north and Mexico on the south, our domestic trading area would be greatly expanded. And there is every reason to believe that in such event the volume of trade between those areas and our own would be far larger than it is today, with corresponding economic improvement there and here.

No Elimination of Tariff Barriers

Please do not misunderstand me. I am not advocating the elimination of tariff barriers throughout the world. Not in our lifetimes will that millenium be achieved. But what I am asserting with great earnestness is that a reduction in the stifling total of obstacles and barriers to the natural, easy flow of trade and movement of people would have the effect of enlarging our trading area, our volume of trade, our employment and our standard of living.

There are many obstacles other than tariffs to the movement of goods and people across national boundaries, and all must be vigorously attacked if we are to achieve the objective of substantially expanding our external trade. Monetary restrictions, exchange controls, import and export licenses and quotas, endless formalities and red tape encumbering the movements of products and people are just as serious and in some respects more so than tariffs.

Differences in the rules of trading between the countries of the world, particularly as regards the permissibility of so-called restrictive business agreements, are another deterrent to entering the field of foreign trade. And, of course, the very practical and as yet unanswered problems of trading between state monopolies and private enterprises are not designed to encourage even the most sophisticated foreign traders to rush in.

Closely associated with these problems is the need for establishing uniform principles and rules governing rights and responsibilities of American investors in foreign countries so that the movement of private capital to areas badly in need of industrial reconstruction or development will be facilitated.

These and other related matters are being carefully examined by our government under the leadership of the Department of State. Indeed, as Mr. Wilcox has told you, the State Department published only last week its suggested charter for an International Trade Organization. This charter is an amplification of a State Department document called the "U. S. Proposals for the Expansion of World Trade and Employment" which was issued last December and has been approved in principle by the British and the French. It will be the basis for discussion at a meeting being held next month in London under the auspices of the Economic and Social Council preparatory to the International Trade Conference which is scheduled for 1947. The State Department's proposals above referred to were considered last June by the governing body of the International Chamber of Commerce and, with the exception of certain provisions regarding commodity agreements and restrictive business agreements, were generally and heartily endorsed. I, for one, am both proud and greatly encouraged that our government is taking the lead in promoting the development and acceptance of rules for international trading which are solidly based upon private competitive enterprise.

Two-Way Trade

But let me return a moment to this matter of two-way trade. The fact is that during the past twenty-five years America hasn't received payment for a substantial part of her exports. And this has been a drain on our resources and standard of living. During the 1920's we loaned hundreds of millions of dollars abroad. These credits were used to pay for American products exported during that period. But when the loans came due a great many of them defaulted because, our imports having been substantially less than our exports, dollars were not available abroad to meet these obligations. During the 1930's we sent dollars to foreign countries in exchange for their gold which we put into the ground and did not use to buy foreign products. In this way we continued to supply our foreign customers with dollars to pay for our exports without receiving imports in exchange and so impoverished ourselves, except as gold in the ground may be regarded as contributing to our standard of living.

During World War II we exported huge quantities of goods to foreign countries, but during the war years we had the Lendlease Act to make possible continuation of exports without receipt of imports. The wartime experience was, to be sure, exceptional and entirely justified in our own interests. However, we cannot continue indefinitely to be a sort of involuntary Santa Claus by shipping goods out of this country and in effect refusing to accept payment for them. But this is precisely what will happen unless we increase our imports and our foreign travel sufficiently to balance our foreign trade account.

We must get over the notion that imports are bad for us, that they lower our standard of living and cause unemployment. From the standpoint of the country as a whole, properly regulated imports would have exactly the reverse effect. New foreign products not produced here would stimulate new demands and create employment in the distributive and service industries. Lower priced raw materials and semi-fabricated products from abroad would reduce the cost and therefore the selling price of home produced finished goods into which they go, thus broadening the market and increasing both sales and employment. And there is no reason to assume that vigorous competition with foreign finished goods would not benefit the national economy. Indeed, there is ample evidence that it would.

We must also remember that every import means that dollars have gone abroad which must ultimately come back to this country in payment for goods or services produced here in America.

During the past six months a committee made up of representatives of all operating departments of the General Electric Company has been studying this matter of imports and tariff schedules on electrical products. On the recommendation of that committee and with the approval of the officers in charge of each of the operating departments a brief policy statement for the guidance of the entire company was adopted a few days ago. It reads as follows:

"The General Electric Company is interested in import tariffs as one influence on the free flow of world trade. We think that a larger exchange of goods and a better balance of trade among the countries of the world will contribute to a greater economic stability and be of benefit to all countries. A larger exchange of goods between the United States and other countries is essential for the maximum development of our total industry and for an increase in the over-all standard of living. A larger importation of goods into the United States from other countries is essential to bring imports more nearly into balance with our exports. This will enable us to be paid for the goods we sell and to be repaid for loans which have been made for rehabilitation of foreign countries.

Favors Reduced Tariffs

"Our country and each industry in it must take the lead in the reduction of trade barriers by proposing mutual reduction of tariffs and other barriers on specific goods to the extent that this can be done without unduly upsetting a domestic industry which is efficiently operated and whose existence in this country is essential to the preservation of our economy or national security."

From this you will see that General Electric, although 90 to 95% of its business has always been in the domestic market, believes in and will support the government's efforts to broaden our trading area by reducing the barriers to the two-way flow of goods.

You will observe that the statement speaks of *mutual* tariff reductions. This, of course, is very much a part of the over-all objective. Other countries will be expected to lower their trade barriers in consideration of our doing so, to the end that the aggregate flow of goods both into and out of the country will be substantially increased.

And so I conclude my discussion of proposition Number One as I began it—by saying that foreign trade is good for America.

Opposition to State Monopolies

My second proposition may be stated thus: The system of private competitvie enterprise would not survive, even in America, if the industries of most of the countries of the world became state monopolies.

This assertion is not based on the assumption that our system would be weakened and destroyed by the infiltration of foreign ideologies, although I have no doubt that if government ownership of industry became general throughout the world we would be subject to a great deal more foreign propaganda.

What would happen, as I see it, is this: America requires very substantial amounts of raw materials and other products from abroad—products that are either non-existent in this country or are not available in sufficient quantity to meet our needs. If we assume that foreign nationalization of industry has proceeded to the point where most of these products can be obtained by private American companies, not by purchase from private suppliers abroad but only from a single foreign government selling agency, it is clear that the trading strength or position of the buyer and seller would be seriously out of balance. If the foreign government's selling agency, having no competition, sets prices which seem exorbitant to the American buyer, the latter would have to pay the price or go without the material. In order to equalize the bargaining position, the buyers would eventually request their government to assist them in getting reasonable prices. In due course the government would become the purchaser from the foreign government—and a long step toward putting the United States Government into control of American industry would have been taken.

On the export side, the same problem would arise. Each foreign country desiring American goods would purchase them through one buyer only, and he would be the official purchasing agent of the foreign government. He would shop around among the American suppliers, playing one against the other in the familiar fashion of purchasing agents, until in self-defense the American producers would band together—under government supervision, of course—in order to bargain on reasonably equal terms with the foreign buying agent. Here, again business would soon be done by or under the direct supervision of our government.

This government participation would gradually broaden and extend itself. It has rarely been known to do otherwise, because the handling or regulation of one phase of any economic activity always seems to require that additional phases be taken over. From import-export transactions to purely domestic ones is a short step. And, under the circumstances described, it would in my judgment be an inevitable one.

These are the reasons we Americans have a very real interest in the trend toward nationalization of industry abroad. As I had occasion to say not long ago, it is perhaps the greatest paradox of our time that the economic system, which lifted the standard of living of America and many other countries to the highest levels they have ever known, is losing ground to another and far older system whose ultimate contribution throughout the centuries has been disillusionment and poverty and blood. The trend stems largely from apathy and a lack of understanding of private competitive enterprise. Here in America too large a fraction of the population has enjoyed our democratic freedoms for so many generations that they take them quite for granted and fail to recognize the significance of encroachments upon them. Too many people are convinced of the superiority and integrity of the products of American industry and yet are skeptical of the motives, decency and integrity of the very managements that produce them.

Must Advertise American Economic System

This is an indictment of American business management. We have failed to recognize that we must advertise and sell the American economic system as well as the products of that system. It is our job to explain and sell the rightness of private competitive enterprise both at home and abroad. If we don't, we shall be in very real danger of losing it.

Having observed both during and since the war years the importance which other governments, even democratic governments, attach to their foreign information service, I have become convinced that America is hiding its light under a bushel. We simply must, with government help if necessary, do a broader, more effective job of telling the world how we live and the wonderful things our way of living has brought, not to the few but to the many.

Stated more broadly, therefore, my second proposition is that America's political and economic scheme of things is importantly affected by the governmental setup and trading methods of other countries of the world, and that we probably could not maintain multi-party representative democracy and private competitive enterprise in a predominantly totalitarian world.

Keep America Strong Economically

My third and final proposition flows from the other two. It is this: America must make and maintain herself strong, vigorous and trim as an economic as well as a military power. She must, in addition, use every decent and friendly device to sell her political and economic philosophy to other countries of the world and to keep it sold.

No one knows whether a powerful nation or group of nations under a single party totalitarian system can live peacefully in this world with other countries who fly the banner of democracy and private enterprise. That the Russian government does not think so was made clear when Joseph Stalin declared in his now famous speech of February 9, 1946, that war was "inevitable" in a capitalistic world.

We continue to hope, and many of us to believe, that Mr. Stalin is wrong in that statement. But certainly we must not close our eyes to the fact that we cannot escape trouble with Russia by running away from it. The best, indeed the only way, to prevent trouble until that happy day when the American and Russian peoples will have access to each other and will achieve mutual understanding and friendship, is to be strong and alert ourselves and to stand firmly for our way of living and the great freedoms of the Atlantic Charter. Only thus will World War II have not been fought in vain.

These, then, are the foundation stones upon which broad and busy avenues of world trade can be built. These are the highways to progress and prosperity both at home and abroad. This is the pathway to peace. Whether we shall use them well and build soundly upon them, no man can say. Much, very much, depends upon whether we Americans adhere firmly to these fundamentals during the next five years. If we do, there is good reason confidently to expect a volume of world trade hitherto undreamed of and a larger degree of healthy economic interdependence between nations, which are perhaps the greatest and most effective keepers of the peace.

Byrnes Reports on Peace Conference

(Continued from first page)
fore the fighting stopped, President Roosevelt warned us that.

"The nearer we come to vanquishing our enemies, the more we inevitably become conscious of differences among the Allies."

That was why President Roosevelt was so insistent that the United Nations should be established before the peace settlements were made.

It was inevitable that in the making of concrete peace settlements the Allies should discuss and debate the issues on which they disagree and not those on which they agree. It was also inevitable that such discussions should emphasize our differences

That is one reason I have continuously pressed to bring about agreements upon the peace settlements as rapidly as possible.

Leaving unsettled issues which should be settled, only serves to increase tension among the Allies and unrest among the peoples affected.

Must Liquidate the War

We cannot think constructively on what will or will not contribute to the building of lasting peace and rising standards of life until we liquidate the war and give the peoples of this world a chance to live again under conditions of peace.

It is difficult to deal with the problems of a convalescing world until we get the patient off the operating table.

These treaties are not written as we would write them if we had a free hand. They are not written as other governments would write them if they had a free hand. But they are, as good as we can hope to get by general agreement now or within any reasonable length of time.

Our views on reparations are different from the views of countries whose territories were laid waste by military operations and whose peoples were brought under the yoke of alien armies and alien Gestapos.

The reparation payments are heavy — excessively heavy in some cases. But their burdens should not be unbearable if the peoples on which they are laid are freed from the burden of sustaining occupying armies and are given a chance to rebuild their shattered economic lives.

For Europe with her mingled economies, there are no ideal boundary settlements.

The proposed settlement for the Trieste area was long and warmly debated. The conference approved the proposal of the Council of Foreign Ministers that this area should become a free territory under the protection of the United Nations. The conference also by a two-thirds vote made recommendations for an international statute defining the responsibilities of the United Nations in relation to the free territory. Such recommendations are an expression of world opinion and cannot be arbitrarily disregarded.

Those recommendations of the conference provide that the Governor appointed by the Security Council should have sufficient authority to maintain public order and security, to preserve the independence and integrity of the territory, and to protect the basic human rights and fundamental freedoms of all the inhabitants.

The minority proposal which was supported by the Soviet Union, Yugoslavia and other Slav countries would have made a figurehead of the United Nations Governor and would have given Yugoslavia virtual control of the customs, currency and foreign affairs of the territory. Certainly we could not agree to that. It would make the territory a protectorate of Yugoslavia and leave the United Nations powerless to prevent it becoming a battleground between warring groups. There must be no seizure of power in Trietse after this war as there was in Fiume after the last war.

The Yugoslav delegation advised the conference it would not sign the treaty recommended. My hope, however, is that after consideration Yugoslavia will realize that just as other states have made concessions she must make concessions to bring about the peace.

Although the Council of Foreign Ministers were unable to agree to any change in the Austrian-Italian frontier, the representatives of Austria and Italy at Paris were encouraged by the American delegation to reach an agreement which should help to make the South Tyrol a bond rather than a barrier between the two peoples.

It is my earnest hope that Czechoslovakia and Hungary, and Rumania and Hungary, may find by common agreement somewhat similar solutions to their complicated nationality problems on the basis of working together as friends and neighbors. We in America know that people of many different races and stocks can live together in peace in the United States. They should be able to live together in peace in Europe.

Danube Navigation

At Potsdam in the summer of 1945 President Truman stressed the importance of providing for free navigation of the great international rivers in Europe on terms of equality for the commerce of all states.

President Truman was not seeking any special advantage for the United States. He was seeking to promote peace. He was seeking to insure that these great waterways should be used to unite and not divide the people of Europe.

The delegations repreisenting the Soviet Republic and the Slav countries vigorously opposed the proposal.

The Paris conference recommended by a two-thirds vote that the treaties insure freedom of commerce on the Danube on terms of equality to all states.

I hope that when the Foreign Ministers meet we can agree upon the adoption of this recommendation.

In recent weeks much has been said about acrimonious debates and the divisions in the Paris conference. Back of those debates and divisions were real and deep differences in interest, in ideas, in experience, and even in prejudices.

Those differences cannot be dispelled or reconciled by a mere gloss of polite words. And in a democratic world those differences cannot and should not be kept from the peoples concerned.

In a democratic world statesmen must share with the people their trials as well as their triumphs.

It is better that the world should witness and learn to appraise clashes of ideas rather than clashes of arms.

If this peace is to be lasting, it must be a peoples peace.

The peoples of this world who long for peace will not be able to make their influence felt if they do not know the conflict in ideas and in interest that give rise to war, and if they do not know how the statesmen and the peoples of other countries view those conflicts.

But it is our hope that in international democracy, as in national democracy, experience will prove that appeals to reason and good faith which unite people count for more in the long run that appeals to prejudice and passion which divide people.

In a world where no sovereign state can be compelled to sign or ratify a peace treaty there is no perfect peace-making machinery. Where boundaries, colonies and reparations are involved, a peace treaty cannot be made effective unless it is satisfactory to the principal powers.

Under these circumstances the Paris conference provided as adequate an opportunity for the smaller states and ex-enemy states to express their views on the proposed treaties as it was practical to provide.

Disturbed by Soviet Attitude

The thing which disturbs me is not the lettered provisions of the treaties under discussion but the continued if not increasing tension between us and the Soviet Union.

The day I took office as Secretary of State I stated that "the supreme task of statesmanship the world over is to help them (the people of this war-ravaged earth) to understand that they can have peace and freedom only if they tolerate and respect the rights of others to opinions, feelings and ways of life which they do not and cannot share."

It is as true now as it was then that the development of sympathetic understanding between the Soviet Union and the United States is the paramount task of statesmanship.

Such understanding is necessary to make the United Nations a true community of nations.

From the Potsdam conference, which took place at the beginning of his administration, President Truman and I have worked and we shall continue to work to bring about an understanding with the Soviet government.

Two states can quickly reach an understanding if one is willing to yield to all demands. The United States is unwilling to do that. It is equally unwilling to ask it of another state.

Every understanding requires the conciliation of differences and not a yielding by one state to the arbitrary will of the other.

Until we are able to work out definite and agreed standards of conduct such as those which govern decisions within the competence of the International Court of Justice and such as those which we hope may be agreed upon for the control of atomic energy, international problems between sovereign states must be worked out by agreement between sovereign states.

But if the states are to reach such agreements they must act in good faith and in the spirit of conciliation. They must not launch false and misleading propaganda against one another.

They must not arbitrarily exercise their power of veto, preventing a return to conditions of peace and delaying economic reconstruction.

No state should assume that it has a monopoly of virtue or of wisdom. No state should ignore or veto the aggregate sentiments of mankind.

States must not unilaterally by threats, by pressures or by force disturb the established rights of other nations. Nor can they arbitrarily resist or refuse to consider changes in the relationships between states and peoples which justice, fair play and the enlightened sentiments of mankind demand.

We must cooperate to build a world order, not to sanctify the status quo, but to preserve peace and freedom based upon justice.

And we must be willing to cooperate with one another—veto or no veto—to defend, with force if necessary, the principles and purposes of the Charter of the United Nations.

Not too "Soft" or too "Tough"

Those are the policies we have pursued. In following those policies we have been criticized at times for being too "soft" and at times for being too "tough." I dislike both words. Neither accurately describes our earnest efforts to be patient but firm.

We have been criticized for being too eager to find new approaches after successive rebukes in our efforts to effectuate those policies. And we have likewise been criticized for not seeking new approaches. We will not permit the criticism to disturb us nor to influence our action.

We will continue to seek friendship with the Soviet Union and all other states on the basis of justice and the right of others, as well as ourselves, to opinions and ways of life which we do not and cannot share.

But we must retain our perspective.

We must guard against the belief that deep-rooted suspicions can be reconciled by any single act of faith.

The temple of peace must be built solidly, stone upon stone. It the stones are loosely laid, they may topple down upon us.

We must equally guard against the belief that delays or setbacks in achieving our objective make armed conflict inevitable. It is entirely possible that the failure or inability of the Soviet leaders to rid themselves of that belief lies at the very root of our difficulties. We will never be able to rid the world of that belief if we ourselves become victims to it.

For centuries devout men and women thought it was necessary to fight with one another to preserve their different religious beliefs. But through long and bitter experience they learned that the only way to protect their own religious beliefs is to respect and recognize the rights of others to their religious beliefs.

War is inevitable only if states fail to tolerate and respect the rights of other states to ways of life they cannot and do not share. That is a truth we must recognize.

Because in the immediate aftermath of war our efforts to induce nations to think in terms of peace and tolerance seem to meet with rebuff, we must not lose faith. What may be unrealizable now may be realizable when the wounds of war have had a chance to heal.

We must not lose faith, nor cease to struggle to realize our faith, because the temple of peace cannot be completely built in a month or a year.

But if the temple of peace is to be built, the idea of the inevitability of conflict must not be allowed to dominate the minds of men and tear asunder a world which God made one.

It is that idea of the inevitability of conflict that is throttling the economic recovery of Europe. It is that idea that is causing artificial tensions between states and within states.

The United States stands for freedom for all nations and friendship among all nations. We shall continue to reject the idea of exclusive alliances. We shall refuse to gang up against any state.

But we stand with all peace-loving, law-abiding states in defense of the principles of the Charter of the United Nations.

Any nation that abides by those principles can count upon the friendship and cooperation of the United States, irrespective of national difference or possible conflict of interests.

No country desires unity among the principal powers more than we or has done more to achieve it. But it must be unity founded on the charter and not unity purchased at its expense.

We deplore the tendency upon the part of the Soviet Union to regard states which are friendly to us as unfriendly to the Soviet Union and to consider as unfriendly our efforts to maintain our efforts to traditionally friendly relations with states bordering on the Soviet Union.

We deplore the talk of the encirclement of the Soviet Union. We have it from no less authority than Generalissimo Stalin himself that the Soviet Union is in no danger of encirclement.

During the war the Baltic states were taken over by the USSR. The Polish frontier and the Finnish frontier have been substantially modified in Russia's favor. Koenigsberg, Bessarabia, Bukovina and Ruthenia are to be given to her. In the Pacific the Kuriles, Port Arthur and Sakhalin have been assigned to her. Certainly the Soviet Union is not a dispossessed nation.

Supported Russia

We know the suffering and devastation which Nazi aggression brought to the Soviet Union. The American people came to the support of the Soviet Union even before the United States was attacked and entered the war. Our peoples were allies of the Soviet people during the war. And the American people in time of peace desire to live on terms of friendship, mutual helpfulness and equality with the Soviet people.

Before the Paris Peace Conference the United States spared no effort to reconcile its views on the proposed peace treaties with those of the Soviet Union. Indeed it was the Soviet Union which insisted that our views be reconciled on all questions which the Soviet Union regarded as fundamental before the Soviet Union would consent to the holding of the conference.

If, therefore, in the conference, we differed on some questions, they were not questions that were fundamental from the Soviet viewpoint.

While there were many issues which attracted little public attention on which the Soviet Union and the United States voted together, it was regrettable that on many issues which did command public attention the Soviet Union and the newly established governments in central and southeastern Europe voted consistently together against all other states.

Whatever considerations caused this close alignment of the Soviet Union and her Slav neighbors on these issues, other states were not constrained to vote as they did by any caucus or bloc action.

It requires a very imaginative geographic sense to put China or Ethiopia into a Western bloc. And it was quite evident to discerning observers at Paris that not only China and Ethiopia but Norway and France were particularly solicitous to avoid not only the fact but the suspicion of alliance with any Western bloc.

Cleavage Due to Conviction Not Design

If the voting cleavage at Paris was significant, its significance lies in the fact that the cleavage is not between the United States and the Soviet Union, or between a Western bloc and the Soviet Union. The cleavage is based upon conviction and not upon strategy or hidden design.

I should be less than frank if I did not confess my bewilderment at the motives which the Soviet delegation attributed to the United States at Paris. Not once, but many times, they charged that the United States had enriched itself during the war, and, under the guise of freedom for commerce and equality of opportunity for the trade of all nations, was now seeking to enslave Europe economically.

Coming from any states these charges would be regrettable to us. They are particularly regrettable when they are made by the Soviet government to whom we advanced more than ten billion dollars of lend-lease during the

war and with whom we want to be friendly in time of peace.

The United States has never claimed the right to dictate to other countries how they should manage their own trade and commerce. We have simply urged in the interest of all peoples that no country should make trade discriminations in its relations with other countries.

On that principle the United States stands. It does not question the right of any country to debate the economic advantages or disadvantages of that principle. It does object to any government charging that the United States enriched itself during the war and desires to make "hand-outs" to European governments in order to enslave their peoples.

Long before we entered the war President Roosevelt took the dollar sign out of the war. He established Lend-Lease as the arsenal of democracy and opened that arsenal to all who fought for freedom. Europe did not pay and was not asked to pay to build or to replenish that arsenal. That was done with American labor and American resources.

The lend-lease settlements inaugurated by President Roosevelt have been faithfully and meticulously carried out by President Truman.

Wants to Assist Europe

We want to assist in European reconstruction because we believe that European prosperity will contribute to world prosperity and world peace. That is not dollar democracy. That is not imperialism. That is justice and fair play.

We in America have learned that prosperity like freedom must be shared, not on the basis of hand-outs, but on the basis of the fair and honest exchange of the products of the labor of free men and free women.

America stands for social and economic democracy at home and abroad. The principles embodied in the social and economic reforms of recent years are a part of the American heritage.

It would be strange indeed if in this imperfect world our social and economic democracy were perfect, but it might help our Soviet friends to understand us better if they realized that today our social and economic democracy is further away from the devil-take-the-hindmost philosophy of bygone days than Soviet Russia is from Czarist Russia.

Whatever political differences there may be among us, we are firmly and irrevocably committed to the principle that it is our right and the right of every people to organize their economic and political destiny through the freest possible expression of their collective will. We oppose privilege at home and abroad. We defend freedom everywhere. And in our view human freedom and human progress are inseparable.

The American people extend the hand of friendship to the people of the Soviet Union and to all other people in this war-weary world. May God grant to all of us the wisdom to seek the paths of peace.

Profit Motive For Workers Can Correct Production Lag

(Continued from first page)

ing the rank and file to buckle down.

Need Production, Not Wrangling

Do not look for a diatribe on labor unions here, however. There has been enough wrangling while the ship is sinking. The thing to do is to find a way to get the men in our factories and mines producing to their full abilities. The chief criticism against the majority of the working men, and it is a serious one, is that they either fail to recognize or are indifferent to danger from the production lag to themselves and their country. With that exception, there is some justification for their revolutionary attitude today.

There is no need to enter a maze of arguments and economic theories to find the reason for production lags. One constructive force, greater than all the destructive forces combined, can eliminate shortages of the material things of life. Bring it into play and shortages will vanish, spiraling prices will turn downward again and labor disputes will be at the minimum.

Profit for the Workingman

This powerful force I speak of is desire for advancement, profit or gain. Give the workingman the incentive to produce and production miracles will follow. That force stirs in the breast of man as surely today as it did when our forefathers built America to a great industrial power. Times and conditions have changed, but not human nature. The man working with his hands is as responsive to incentives as is the shareholder, the manager or anyone else.

Time and again the incentive pay system in effect at The Lincoln Electric Company has been cited as an example of what can be accomplished when management and labor work together as a team. For the benefit of those who have not seen this record or who have overlooked its significance, the record in brief is submitted:

An Incentive Plan in Operation

The average annual income for Lincoln factory workers is over $5,000, which makes them the highest paid group of industrial workers in the world. There has never been a strike at Lincoln Electric in its half-century history. Management is assisted in its efforts by an advisory board on which there are representatives of labor and management. There is no other worker organization in the plant. Workers are paid for what they produce, not for the amount of time they put in each day.

Because of our incentive compensation system, production of the individual worker has increased by seven times since 1933, take-home wages increased four times, dividends increased three times, people employed increased four times, prices decreased 60% and dividends have been paid continuously for over 25 years.

There is no umbrella over the company and its workers. We are in the business of manufacturing electric arc welding machines and electrodes, a field wide open to competition. Our patents are taken out simply to prevent others from hamstringing the industry. We do not use them for our own selfish advantage.

The accomplishment is due to the remarkable productivity of the Lincoln workers who produce not because there are company picnics, clean washrooms, a pleasant smile and a pat on the back from the foreman, free lunches, vitamin pills or similar inducements, but because they get paid for what they produce. There is no ceiling on their earnings and there is no changing of the rules in the middle of the game to cut down the unusual man who is able to double or triple the average income of over $5,000 annually.

A full discussion of the Lincoln Incentive System is not possible here. It is not necessary that it should be detailed here. Every business is different and each one should work out the plan best suited for the individual business. The important point to think about is that incentive pay systems are applicable to almost every business under the sun, to white collar workers as well as industrial piece-work workers and to all other people who work.

Good faith is of the first importance in establishing an incentive pay system. Workers are prone to look upon incentive pay as a speed-up plan, and they have some cause for this suspicion based on past experiences. Good faith and justice are necessary, coupled with intelligent application and an ability to make clear to the worker what his gain will be and how it can be made.

Incentive Pay Workings

An example might be cited. Assume that a hypothetical company has not enjoyed a regular earnings record, or if regular, the average over the years has been low. Now, an incentive pay system is initiated, the workers become enthusiastic, production—using the same manpower, floor space, machinery and other capital investment facilities—soars above any previous year, profits rise beyond belief. Then these greatly increased earnings should be shared between the shareholder, the worker and the customer in the form of reduced prices.

The customer is the shareholder, the worker, the manager and all the rest of us. He is the one who must be pleased. If prices of the things he buys go down, he will buy more and have a higher standard of living. He will get more for his money when every producer produces to the best of his ability.

Profit Motive for Maximum Production

It takes pay incentives to get maximum production. Substitute profit motive for pay incentive, if that term is preferred, but it still has the same meaning. It is the motive that pushed men on to build America. It made America great and can make America and the world still greater if given a chance.

Why are men blind to this glaring truth, especially so Americans, who have seen what the profit motive can accomplish for the good of mankind?

Americans are accused of stressing the material things of life. Possibly so, but no one who has seen an unhappy individual, one unable to acquire a decent home for his wife and family through no fault of his own and living in constant uncertainty, transformed to a proud man who has earned a home in a good neighborhood by the sweat of his brow and by the use of what is inside his brow can call the materialism that does that, a shallow thing. Man is willing to work for these things as well as fight for them and he deserves the chance. Just as it pays to be honest, it also pays management and stockholders to give that chance to workers.

There is nothing paternalistic about incentive pay systems. On the contrary, it is good business for employer and employees and develop the spirit of individual workers rather than pampering them.

Man has it within his power now to eliminate want from the world if he is but given something to do instead of somebody to hate. I have seen a man with avowed Communistic beliefs come into our plant, succeed in getting the material things of life by his own efforts and turn away in disgust from his former beliefs. I have seen a family ready to break up because of the worry and strain of an inadequate income become a happy unit and stable citizens when the breadwinner found employment which paid him for his full effort.

The men at the Lincoln Electric Company may be different than most other workers in their high rate of individual productivity, in their self-reliance and contentment which comes from applying their abilities and energies without stint, in their larger earnings and their certainty that they will not work themselves out of a job, but that they were just like other industrial workers before they joined the organization which gave them an opportunity for full use of latent as well as trained abilities.

Universally Applicable

These desirable conditions at Lincoln Electric are emphasized because they are possible for all workers, everywhere. Friction between management and labor, which slows down production and decreases profits for both, can be largely eliminated. The spread of foreign beliefs contrary to great American principles can be checked. The nation can prosper and set an example which the rest of the world will be anxious to follow without threat of war. These things can and will happen when the productive abilities of workers are unleashed.

An incentive pay system which has operated successfully through a depression, prosperous years, war and postwar years with all the attendant production obstacles has proven its soundness and worth. The way is clear for those who sincerely want to overcome the production lag. In taking that away, many more problems in our economy than production lags will be removed.

Subscriptions to and Allotments of Recent Treasury Ctfs. Offerings

Secretary of the Treasury Snyder announced on Sept. 30 the final subscription and allotment figures with respect to the offering of $\frac{7}{8}\%$ Treasury Certificates of Indebtedness of Series J-1947. Subscriptions for amounts up to and including $25,000 were allotted in full and amounted to $37,877,-000.

The total subscriptions received aggregated $3,203,145,000, and total subscriptions allotted were $1,439,522,000. Certificates of Series J-1947 were offered on Sept. 18, and the offering was opened on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series H-1946, in the amount of $3,439,855,000, maturing on Oct. 1, 1946. It was stated that:

"Since it is planned to retire about $2,000,000,000 of the maturing certificates on cash, subscriptions will be received subject to allotment to all holders on an equal percentage basis, except that subscriptions in amounts up to $25,000 will be allotted in full Cash subscriptions will not be received.

"The certificates now offered will be dated Oct. 1, 1946, and will bear interest from that date at the rate of $\frac{7}{8}$ of 1% per annum, payable with the principal at maturity on Oct. 1, 1947. They will be issued in bearer form only, in denominations of $1,000, $5,000, $10,-000, $100,000 and $1,000,000."

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	Total Subscriptions Received	Total Subscriptions Allotted
	—(000's Omitted)—	
Boston	$101,784	$45,458
New York	1,796,827	792,947
Philadelphia	70,503	32,075
Cleveland	159,856	72,199
Richmond	46,035	21,683
Atlanta	74,979	34,725
Chicago	376,095	171,303
St. Louis	66,484	32,286
Minneapolis	67,117	34,452
Kansas City	128,664	61,710
Dallas	61,034	28,122
San Francisco	251,389	111,509
Treasury	2,378	1,053
Total	$3,203,145	$1,439,522

The subscription books were closed at the close of business, Sept. 20, except for the receipt of subscription from holders of $25,-000 or less of the maturing certificates; the books in the case of the latter class closed on Sept. 23.

On Aug. 30 the Secretary of the Treasury announced the final subscription and allotment figures with respect to the $\frac{7}{8}\%$ Treasury Certificates of Indebtedness of series H-1947 offered on Aug. 19. Subscriptions for amounts up to and including $25,000 were allotted in full and amounted to $39,109,000.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	Total Subscriptions Rec'd	Total Subscriptions Allot.
	(000s omitted)	
Boston	$83,740	$47,617
New York	2,944,957	1,651,403
Philadelphia	56,269	31,965
Cleveland	95,089	54,430
Richmond	41,151	23,765
Atlanta	75,571	43,341
Chicago	299,550	170,733
St. Louis	61,128	36,082
Minneapolis	63,906	39,225
Kansas City	125,770	73,555
Dallas	54,268	31,272
San Francisco	242,444	136,627
Treasury	1,011	620
Total	$4,144,854	$2,340,643

The offering was on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series G-1946, in the amount of $4,336,327,000, which matured on Sept. 1, 1946. The Aug. 19 announcement stated that "since it is planned to retire about $2,000,000,000 of the maturing certificates on cash redemption, subscriptions will be received subject to allotment to all holders on an equal percentage basis, except that suscriptions in amounts up to $25,000 will be allotted in full. Cash subscriptions will not be received."

From the Treasury announcement of Aug. 19 we quote:

Interest on the certificates now offered will be paid with the principal at maturity, thus eliminating the need for the conventional semi-annual interest coupons. The purpose of this change, which was made after consultation with the Federal Reserve System and a number of representative holders of certificates, is to simplify the procedure and avoid the inconvenience of clipping coupons twice a year, thereby effecting an economy in clerical and accounting expenses to certificate holders, the Federal Reserve Banks and the Treasury. The certificates will be dated Sept. 1, 1946, will bear interest from that date at the rate of $\frac{7}{8}$ of 1% per annum and will mature Sept. 1, 1947. They will be issued in bearer form only, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

The subscription books were closed at the close of business, Aug. 21, except for the receipt of subscriptions from holders of $25,000 or less of the maturing certificates, books for the latter class being closed at the close of business Aug. 22.

OPA Resignations

Price Administrator Paul Porter announced on Sept. 13 the resignation of James G. Rogers, Jr., as OPA General Deputy Administrator, according to Associated Press Washington advices, which added that Mr. Rogers' duties would be taken over by Max McCullough, Assistant Deputy. On Sept. 16, the same advices reported, announcement was made of the resignation of William J. Wolf, Ohio industrialist, from the agency's scrap industry Advisory Committee in protest against OPA refusal to grant price increases for steel scrap. Although OPA granted some increases in cast iron scrap, it rejected any price increase on steel scrap, and Mr. Wolf contended that the scrap industry cannot be expected to function in 1946 on price levels virtually unchanged since 1941.

The State of Trade

(Continued from page 2135)

road has even gone so far as to cancel projects on which fabricated steel commitments had already been approved. In other cases manufacturers have reduced their pressure on steel companies and have quietly gone along with steel company requests that 1947 consumer requirements reflect a more realistic approach with respect to the availability of steel products.

Having been subjected to considerable criticism and some questioning as to where steel is going, the steel industry two weeks ago was quick to point out that the automobile industry at present is obtaining more than 12% of the finished steel being produced. Even though automobile companies rightfully indicate that some of their production lines have been shut down because of steel shortages, especially cold-rolled sheets, it was apparent last week that some lines were curtailed because the volume of raw materials was not high enough to maintain a rate of automobile output which would more than absorb increased costs in that field, "The Iron Age" noted.

On the other hand late statistics indicate that the short item most mentioned — cold-rolled sheets — is being produced in far greater quantities today than it was in the prewar base year in 1939. During the first nine months of this year cold-rolled sheet production was almost 40% ahead of the entire output of this item in 1939. In 1939 cold-rolled sheets constituted 5.8% of the total output of finished steel while so far this year they represent 8.4% of total finished output. During the first nine months of this year, despite the steel strike and the coal mine deadlock, the steel industry was only about 1 million tons behind the total output of finished steel in 1939.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 90.3% of capacity for the week beginning Oct. 21, compared with 90.5% one week ago, 90.4% one month ago and 65.1% one year ago. This represents a decrease of 0.2 point or 0.2% from the previous week.

This week's operating rate is equivalent to 1,591,400 tons of steel ingots and castings and compares with 1,595,000 tons one week ago, 1,593,200 tons one month ago and 1,192,400 tons one year ago.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to 4,495,220,000 kwh. in the week ended Oct. 12, 1946, from 4,478,092,000 kwh. in the preceding week. Output for the week ended Oct. 12, 1946, was 14.3% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 199,300,000 kwh. in the week ended Oct. 13, 1946, compared with 170,800,000 kwh. for the corresponding week of 1945, or an increase of 16.7%. Local distribution of electricity amounted to 185,600,000 kwh. compared with 169,700,000 kwh. for the corresponding week of last year, an increase of 9.4%.

In the week ended Oct. 6, 1946 output amounted to 194,400,000 kwh. compared with 173,300,000 kwh. for the corresponding week of 1945, or an increase of 12.2%.

Railroad Freight Loadings—Car loadings of revenue freight for the week ended Oct. 12, 1946, totaled 899,443 cars, the Association of American Railroads announced. This was a decrease of 7,405 cars (or 0.8%) below the preceding week and 144,884 cars, or 19.2% above the corresponding week for 1945. Compared with the similar period of 1944, an increase of 723 cars, or 0.1%, is shown.

Railroad Revenues in September —Based on advance reports from eighty-six class I railroads, whose revenues represent 81.3% of total operating revenues, the Association of American Railroads state that according to current estimates, railroad operating revenues in September, 1946, decreased 3.7% under the same month of 1945. This estimate, it was pointed out, covers only operating revenues and does not touch upon the trends in operating expenses, taxes, or final income results. Estimated freight revenue in September, 1946, was slightly greater than in September, 1945, by 4.7%, while estimated passenger revenues decreased 31.6%.

Paper and Paperboard Production — Paper production in the United States for the week ended Oct. 12, was 105.9% of mill capacity, against 107.2% in the preceding week and 96.2% in the like 1945 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the current week was 99% against 100% in the preceding week, and 97% in the corresponding week a year ago.

Business Failures Hold Steady—In the week ending Oct. 17, commercial and industrial failures were down slightly from the previous week but continued to be more numerous than in the corresponding weeks of either 1945 or 1944. Dun & Bradstreet, Inc., reports that 23 concerns failed during the week as compared with 25 last week and 15 a year ago.

Nineteen of the week's 23 failures involved liabilities of $5,000 or more. Although declining by 2 from the 21 reported a week ago, these large failures were almost two times as frequent as in the same week of 1945 when only 11 concerns failed in this size group. Small failures with losses under $5,000 remained at four, the same number as in both the previous week and in the comparable week last year.

Concerns failing this week were twice as numerous in manufacturing as in any other trade or industry group. Ten manufacturers failed, as compared with 16 a week ago and 7 in 1945's corresponding week. Retail trade with five had the second highest number; this line as well, showed the sharpest upswing from the previous week when only one reailer failed. All industry and trade groups had more failures in the week just ended than in the corresponding week of last year, but the increase did not amount to more than three in any group. More than half the week's failures were concentrated in two regions, the Pacific and East North Central States.

Three Canadian failures were reported against five in the previous week and none in the comparable week of 1945.

Building Permits in September —A further slackening in the rate of contemplated building expenditures brought the September volume to the lowest level since last November. Estimated cost of permits granted for new buildings, and for alterations and repairs in 215 cities dropped 13.3% to $176,492,394, from $203,580,309 in August, according to Dun & Bradstreet, Inc. Comparison with the September, 1945 figure of $121,495,487 showed a gain of 45.3%, the narrowest year-to-year rise recorded for more than a year.

Plans filed in New York City during September totalled $17,584,694, a decrease of 33.4% from the August sum, and 24.7% less than that for the same month last year.

Wholesale Food Price Index Reaches Record High—With the removal of price controls on livestock and meats, the wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced sharply from $5.40 last week to a new record high of $6.15 on Oct. 15. This weekly index is intended to show changes in the level of food prices at wholesale. It is more sensitive than more comprehensive indexes which are prepared less frequently. It should not be confused with the so-called cost-of-living indexes. The current figure represents a rise of 75 cents, or 13.9%, in the week, while comparison with last year's index of $4.10, reveals a gain of 50.0%.

Included in this week's changes were higher prices for wheat, rye, oats, barley, hams, bellies, lard, butter, cheese, steers, hogs, sheep and lambs. Declines occurred only in corn and potatoes. The index represents the sum total of the price per pound of 31 foods in general use.

Daily Wholesale Commodity Price Index—Agricultural prices continued to edge higher last week, resulting in a further rise in the daily wholesale commodtiy price index, compiled by Dun & Bradstreet, Inc. The index advanced sharply from 233.56 a week ago, to a new postwar peak of 243.90 on Oct. 15. This compared with 178.20 on the like date last year, a gain of 36.9%.

Grain markets were fairly active in the past week and prices generally continued upward in the face of record yields of wheat and corn and the second largest oats crop ever to be harvested. Strength in wheat reflected continued light country offerings and a shortage of box cars which has been hindering the movement of major crops to terminal markets. The new winter wheat crop was said to be off to a good start in the southwestern belt. Domestic flour business remained at a virtual standstill, with most mills still holding to a withdrawn position pending announcement of new ceiling prices for flour. Steers and hogs remained at ceiling limits under insufficient supplies to cover demand. However, increased receipts and higher prices are expected in the near future as the result of the Presidential announcement of the decontrol of all livestock and their food and feed products, effective as of Oct. 15. Butter and cheese scored further advances in the week under broad demand for existing supplies. High asking prices by producing countries is said to be restricting business in coffee. Supplies afloat to the United States, however, have shown some recent improvement.

Cotton price movements last week were again irregular, with closing prices steady after touching new seasonal highs earlier in the period, following announcement of the Government's Oct. 1 crop estimate, which tended to further strengthen the statistical position of the staple. The report indicated a probable yield of 8,724,000 bales, as compared with a forecast of 9,171,000 on Sept. 1, and with last year's actual crop of 9,015,000 bales. Profit-taking and hedge selling, attributed to prospects of heavier planting next year, more than erased early gains during late dealings. Mill demand for both forward and prompt shipment was quite active and sales in the ten spot markets rose substantially over the previous week and corresponding week a year ago. Sales volume in carded gray goods was fair but spotty and was confined largely to standard print cloths and sheetings, with the bulk of the business for delivery in September.

Activity in domestic wools in the Boston market was somewhat slower last week following recent heavy purchasing in anticipation of a rise in resale prices of domestic CCC wools. This increase in prices, originally scheduled for Oct. 7, was postponed to take effect Oct. 14. The new schedule of prices provides for advances of approximately 5 cents a pound on fine wools, 4 cents on ½-blood wools and 3 cents on ⅜- and ¼-blood wools, all on a clean basis. Imports of foreign apparel wools showed considerable drop in the week of Oct. 4.

Retail and Wholesale Trade — Retail volume continued to rise moderately during the past week and was up considerably in comparison with that of the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its current review of trade. The steadily increasing supply of durable goods attracted the attention of numerous shoppers. Consumer selectivity continued to be a noticeable factor in much of the buying.

Retail food volume increased slightly last week with consumer attention centered on alternate foods to replace the many meat products that remained in low supply. Poultry prices dropped with the removal of price ceilings on meat and the supply of both poultry and fish remained adequate. The current consumption of dairy products was estimated to be considerably above the prewar level. The demand for canned foods was almost unchanged from the high level of the previous week. The supply of many fresh fruits and vegetables was abundant and attracted numerous shoppers.

Consumer interest in cold weather apparel increased during the week as temperatures fell in many sections of the country. Women's suits, coats and wool dresses were frequently requested. Scarfs, dickies and gloves were among the most eagerly sought accessories. Slight increases in the supply of men's shirts and underwear were reported, but selections of suits and overcoats remained limited. The supply of leather shoes was generally less liberal than during previous weeks.

Housewares and home appliances continued to attract a large share of the attention devoted to durable goods. Interest in furniture remained high and consumer demand for both hard and soft floor coverings was up. Almost all types of hardware were sought.

Retail volume for the country in the past week was estimated to be from 21 to 25% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 18 to 22, East 17 to 21, Middle West 19 to 23, Northwest 29 to 33, South 27 to 31, Southwest 21 to 25 and Pacific Coast 20 to 24.

The sixth consecutive weekly increase in total wholesale volume was reported during the week. Dollar volume was slightly above that of the preceding week and was considerably above that of the corresponding week a year ago. The backlogs of orders generally remained large with almost no improvement in deliveries the past week.

Department store sales on a country wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 12, 1946, increased by 15% above the same period of last year. This compared with an increase of like amount in the preceding week. For the four weeks ended Oct. 12, 1946, sales increased by 20% and for the year to date by 30%.

New York City continued the past week to feel the adverse effects of the trucking strike upon retail trade. Department store sales dropped for the fourth consecutive week, the decline being estimated at 5 to 10% under last year. Then, too, rayon converters strike hampered garment manufacturers in their efforts to step up output. It was also reported that the break in cotton prices was responsible for cotton goods offerings which otherwise might have been saved until November.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Oct. 12, 1946, decreased 4% below the same period last year. Work stoppages in the trucking industry accounted for the reduced sales for the week in the cities of New York and Newark. In the week ended Oct. 5, 1946 an increase of 1% was registered. For the four weeks ended Oct.12, 1946, sales rose by 4% and for the year to date by 33%.

ABA Directory to Aid in Consumer Goods Financing

Establishment of a nationwide consumer instalment financing and collection service among banks became a reality with the publication on Oct. 5 by the Consumer Credit Committee of the American Bankers Association of a new "Consumer Instalment Lending Directory." The directory, says the ABA announcement, brings together for the first time the names of approximately 10,000 banks located in every section of the United States which make instalment loans to finance dealers and individual purchasers of durable consumer goods and services. More than 7,000 of these banks have indicated their readiness to act as collecting agents for other banks in the servicing of out-of-state loans and of "skip" or delinquent accounts. The new directory of more than 300 pages will be available at cost to ABA member banks and through them to manufacturers and other customers engaged in the financing of durable consumer goods and services. The advices also state:

This national program of consumer credit financing and service will enable the commercial banks to maintain a leading position in the consumer credit field, according to Carl M. Flora, Chairman of the ABA Consumer Credit Committee, who is also Vice-President of the First Wisconsin National Bank, Milwaukee, Wis.

Peacetime Record for Taxes

Taxes collected by the Federal Government during the first three months of the current fiscal year exceed collections for any twelve peacetime months in the nation's history, according to advices from Washington from the Associated Press on October 5, which continued:

Federal spending during those three months, ended Sept. 30, also topped that of any whole fiscal year of peace except 1941, when billions were laid out for defense.

Receipts for the July-through-September period were $9,450,000,000, which would be an annual rate of $37,800,000,000. That would be $1,800,000,000 below the budget estimate for the year ending next June 30, but officials hope heavy tax receipts next spring will close the gap.

Spending for the quarter was $9,331,000,000, at an annual rate of $37,324,000,000. That would be $4,200,000,000 below the budget estimate for the year, but the first quarter did not include any of the $2,400,000,000 GI terminal leave pay and other commitments.

The Government never took in more than $5,668,000,000 a year in the Nineteen-Thirties, nor did it spend more than $8,707,000,000. Officials see no prospect that Federal tax collections or spending ever will go down again to anything like the figures of the Nineteen-Thirties, although they may move back some from the present peacetime peak.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Oct. 16 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Sept. 28, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Sept. 28 (in round-lot transactions) totaled 3,435,875 shares, which amount was 18.48% of the total transactions on the Exchange of 9,297,750 shares. This compares with member trading during the week ended Sept. 21 of 4,017,085 shares, or 16.97% of the total trading of 11,839,180 shares.

On the New York Curb Exchange, member trading during the week ended Sept. 28 amounted to 648,685 shares or 16.37% of the total volume on that Exchange of 1,981,095 shares. During the week ended Sept. 21 trading for the account of Curb members of 869,950 shares was 17.72% of the total trading of 2,455,030 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED SEPT. 28, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	397,180	
‡Other sales	8,900,570	
Total sales	9,297,750	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	1,166,470	
Short sales	254,160	
‡Other sales	1,013,420	
Total sales	1,267,580	13.09
2. Other transactions initiated on the floor—		
Total purchases	146,740	
Short sales	24,200	
‡Other sales	157,600	
Total sales	181,800	1.77
3. Other transactions initiated off the floor—		
Total purchases	270,765	
Short sales	30,570	
‡Other sales	371,950	
Total sales	402,520	3.62
4. Total—		
Total purchases	1,583,975	
Short sales	308,930	
‡Other sales	1,542,970	
Total sales	1,851,900	18.48

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED SEPT. 28, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	32,600	
‡Other sales	1,948,495	
Total sales	1,981,095	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	240,205	
Short sales	21,365	
‡Other sales	209,110	
Total sales	230,475	11.88
2. Other transactions initiated on the floor—		
Total purchases	27,750	
Short sales	4,800	
‡Other sales	34,020	
Total sales	38,820	1.68
3. Other transactions initiated off the floor—		
Total purchases	66,770	
Short sales	2,400	
‡Other sales	42,265	
Total sales	44,665	2.81
4. Total—		
Total purchases	334,725	
Short sales	28,565	
‡Other sales	285,395	
Total sales	313,960	16.37
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	77,254	
Total purchases	77,254	
Total sales	107,086	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

National Fertilizer Association Commodity Price Index Advances to New High Level

New high levels were reached in the wholesale commodity price index that is compiled by The National Fertilizer Association and made public on Oct. 21 when it advanced to 178.4 in the week ended Oct. 19, 1946, from 174.4 in the preceding week. The increase amounted to 2.3% over the preceding week and 1.1% over the previous high point which was reached Aug. 24. The government action in decontrolling livestock, meats, and fats and oils was responsible for the rise. A month ago the index stood at 170.5 and a year ago at 141.1, all based on the 1935-1939 average as 100. The Association's report added:

Five of the composite groups of the index advanced during the latest week and one declined. The largest gain was registered in the farm products group. The livestock subgroup rose almost 16% due to the lifting of the controls on livestock and much more than offset the sharp drop in the cotton index, and the smaller decline in the grains index. Milk prices rose to the highest level on record. The foods index advanced 2% and is perhaps understated as there were no reliable quotations for meats last week. Butter prices dropped sharply during the week and there were declines in prices for potatoes and dressed fowl. Advances were shown for cheese, flour, cottonseed oil, lard and many other foodstuffs, however, which more than offset the declines. Advances were registered in the metals, building materials and miscellaneous commodities groups. The textiles index declined somewhat. All the remaining groups of the index were unchanged.

During the week 22 price series in the index advanced and nine declined; in the preceding week 18 advanced and eight declined; in the second preceding week 16 advanced and five declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935—1939=100*

Each Group Bears to the Total Index	Group	Latest Week Oct. 19, 1946	Preceding Week Oct. 12, 1946	Month Ago Sept. 21, 1946	Year Ago Oct. 20, 1945
25.3	Foods	192.6	188.8	178.8	143.7
	Fats and Oils	245.6	193.0	188.2	145.2
	Cottonseed Oil	213.7	202.3	202.3	163.1
23.0	Farm Products	230.9	218.2	211.8	170.1
	Cotton	329.0	367.9	348.8	219.7
	Grains	218.0	223.1	212.4	164.4
	Livestosck	224.0	193.6	190.4	164.5
17.3	Fuels	154.2	154.2	154.2	129.7
10.8	Miscellaneous commodities	144.7	143.5	143.5	132.8
8.2	Textiles	206.0	211.9	206.4	159.5
7.1	Metals	125.0	124.5	124.5	109.6
6.1	Building materials	178.5	178.3	178.6	154.7
1.3	Chemicals and drugs	128.2	128.2	128.2	126.2
.3	Fertilizer materials	122.5	122.5	122.5	118.3
.3	Fertilizers	124.3	124.3	124.3	119.9
.3	Farm machinery	116.5	116.5	115.4	104.9
100.0	All groups combined	178.4	174.4	170.5	141.1

*Indexes on 1926-1928 base were: Oct. 19, 1946, 139.0; Oct. 12, 1946, 135.9; and Oct. 20, 1945, 109.9.

Bankers Dollar Acceptances Outstanding on July 31, $205,381,000

The volume of bankers dollar acceptances outstanding on July 31, amounted to $205,381,000, an increase of $13,662,000 from the June 29 total, according to the monthly acceptance survey issued Aug. 15 by the Federal Reserve Bank of New York. As compared with a year ago, the July 31 total represents a gain of $88,664,000.

In the month-to-month comparison, imports, exports, domestic shipments and those based on goods stored in or shipped between foreign countries were higher while domestic warehouse credits and dollar exchange were lower in July than in June. In the yearly analysis all the items except dollar exchange were higher in July 1946, than a year ago.

The Reserve Bank's report follows:

BANKERS DOLLAR ACCEPTANCES OUTSTANDING—UNITED STATES
BY FEDERAL RESERVE DISTRICTS

Federal Reserve District—	July 31, 1946	June 29, 1946	July 31, 1945
1 Boston	$21,272,000	$21,325,000	$17,223,000
2 New York	137,938,000	124,831,000	67,536,000
3 Philadelphia	13,812,000	13,663,000	8,814,000
4 Cleveland	1,407,000	654,000	1,199,000
5 Richmond	1,106,000	1,127,000	1,207,000
6 Atlanta	3,428,000	3,529,000	3,025,000
7 Chicago	5,279,000	5,516,000	3,348,000
8 St. Louis	781,000	935,000	273,000
9 Minneapolis	239,000	178,000	118,000
10 Kansas City	------	------	------
11 Dallas	1,059,000	1,035,000	528,000
12 San Francisco	19,060,000	18,926,000	13,446,000
Grand Total	$205,381,000	$191,719,000	$116,717,000

Increase for month $13,662,000 Increase for year $88,664,000

ACCORDING TO NATURE OF CREDIT

	July 31, 1946	June 29, 1946	July 31, 1945
Imports	$146,452,000	$134,225,000	$80,708,000
Exports	23,974,000	21,648,000	9,021,000
Domestic shipments	11,422,000	9,940,000	10,087,000
Domestic warehouse credits	14,217,000	17,238,000	12,343,000
Dollar exchange	40,000	215,000	341,000
Based on goods stored in or shipped between foreign countries	9,276,000	8,453,000	4,217,000

The increase in bankers' acceptances created during July may be considered contra-seasonal as since 1925 there have been 15 decreases as against 7 increases during that month. Coffee was the principal commodity represented in the increase of imports, while other imports included cork, skins, lumber and woodpulp. Increase in exports included grain, oil products, machinery and general merchandise.

BILLS HELD BY ACCEPTING BANKS

Own bills $66,920,000 Bills of others $50,859,000 Total $117,779,000
Increase for month $8,309,000

CURRENT MARKET RATES ON PRIME BANKERS ACCEPTANCES, AUG. 15, 1946

Days	Dealers' Buying Rates	Dealers' Selling Rates
30	3/4	11/16
60	3/4	11/16
90	3/4	11/16
120	13/16	3/4
150	7/8	13/16
180	7/8	13/16

The following table, compiled by us, furnishes a record of the volume of bankers' acceptances outstanding at the close of each month since June 1944:

1944—	$	1945—	$	1946—	$
July 31	138,692,000	Mar. 31	127,512,000	Jan. 31	166,352,000
Aug. 31	109,632,000	Apr. 30	116,825,000	Feb. 28	166,852,000
Sep. 30	111,101,000	May 31	104,356,000	Mar. 30	162,790,000
Oct. 31	114,953,000	June 30	106,893,000	Apr. 30	168,879,000
Nov. 30	115,336,000	July 31	116,717,000	May 31	177,273,000
Dec. 30	128,944,000	Aug. 31	128,035,000	Jun. 29	191,719,000
		Sep. 29	134,533,000	July 31	205,381,000
1945—		Oct. 31	134,592,000		
Jan. 31	129,743,000	Nov. 30	144,790,000		
Feb. 28	126,269,000	Dec. 31	154,349,000		

Truman to Visit Annapolis

President Truman, who attended the Army-Oklahoma football game at West Point on Sept. 28, is reported by his press secretary, Charles G. Ross, to be planning a visit to the Naval Academy at Annapolis this fall, according to Associated Press Washington advices of Oct. 7. The President will inspect the midshipmen and attend another football game. No date has yet been set for the visit.

Redeem Buenos Aires Bds.

Province of Buenos Aires, Argentine Republic, will redeem through operation of the sinking fund, $54,400 principal amount of its 4½%-4¾% external readjustment sinking fund dollar bonds of 1935, due Nov. 1, 1975, drawn by lot for redemption on Nov. 1, 1946. Payment at 100% of the principal amount will be made at the Chase National Bank of the City of New York or at the National City Bank of New York, paying agents.

Pennsylvania Company Correspondent Banks Meet

Three hundred representatives of correspondent banks of The Pennsylvania Company for Insurances on Lives and Granting Annuities attended an all-day meeting at Philadelphia on Oct. 18 at the Hotel Warwick to hear a discussion of current banking trends and activities. After a welcoming address by William Fulton Kurtz, President of The Pennsylvania Company, and introductory remarks by Frank G. Sayre, Vice-President, the morning session was devoted to a series of addresses covering modern developments in the fiduciary and trust fields. Company executives who spoke were William M. David, Robert A. Wilson and Albert W. Whittlesey, Vice-Presidents, and A. Caldwell Van Roden, Assistant Secretary.

The Penco Pension Trust Plan for financial institutions, recently organized by The Pennsylvania Company to enable banks in the State to provide for the pensioning of retiring employees and officers, was described during most of the afternoon session by John W. Clegg, Trust Officer of the company; J. H. Shreiner, Assistant to the President of Towers, Perrin, Forster and Crosby, Inc., and William Drake, director of group annuities of the Prudential Insurance Company of America.

An announcement of a new investment portfolio service for correspondent banks was made by Mr. Kurtz, and there were addresses by Vice-President William F. Kriebel and Dr. Lionel D. Edie, New York economist.

To Oppose Government's Plan for Timber Control

Senator Guy Cordon (R.-Ore.), has assured the American Forest Congress that he will oppose any move for governmental control of large-scale timber cutting on privately owned lands to meet existing shortages. Recommendation for such action, Associated Press Washington advices of Oct. 10 stated, had come from Secretary of Agriculture Clinton Anderson, but Senator Cordon declared it was unnecessary.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Oct. 16 a summary of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange for the week ended Oct. 5, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Oct. 5, 1946

	Total Per Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	27,635
Number of shares	778,210
Dollar value	$30,192,030
Odd-lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	258
*Customers' other sales	20,391
Customers' total sales	20,649
Number of Shares:	
Customers' short sales	10,035
*Customers' other sales	592,589
Customers' total sales	602,624
Dollar value	$24,017,462
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	0
†Other sales	134,940
Total sales	134,940
Round-Lot Purchases by Dealers—	
Number of shares	312,860

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite during the week ended Oct. 12, 1946, as estimated by the United States Bureau of Mines, was 12,200,000 net tons, which compares with 12,300,000 tons in the preceding week and 6,220,000 tons in the corresponding week of 1945. During the calendar year through Oct. 12, 1946, the cumulative production of soft coal was approximately 413,851,000 net tons, or a decrease of 8.8% when compared with the 453,626,000 tons mined in the comparable period of 1945 through Oct. 13.

Production of Pennsylvania anthracite for the week ended Oct. 12, 1946, as estimated by the Bureau of Mines, was 1,195,000 tons, a decrease of 55,000 tons (4.4%) from the preceding week. When compared with the output in the corresponding week of 1945, there was a decrease of 13,000 tons, or 1.1%. The calendar year to date shows an increase of 9.2% when compared with the corresponding period of 1945.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Oct. 12, 1946, showed an increase of 10,400 tons when compared with the output for the week ended Oct. 5, 1946, and was 90,600 tons more than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal and lignite—	Oct. 12, 1946	*Oct. 5, 1946	Oct. 13 1945	†Oct. 12 1946	Oct. 13, 1945
Total, including mine fuel	12,200,000	12,300,000	6,220,000	413,851,000	453,626,000
Daily average	2,033,000	2,050,000	1,037,000	1,734,000	1,883,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn Anthracite—	‡Oct. 12, 1946	§Oct. 5, 1946	Oct. 13, 1945	Oct. 12, 1946	Oct. 13, 1945	Oct. 16, 1937
*Total incl. coll. fuel	1,195,000	1,250,000	1,208,000	47,434,000	43,443,000	40,427,000
†Commercial produc.	1,149,000	1,202,000	1,161,000	45,605,000	41,770,000	38,406,000
Beehive Coke—						
United States total	108,300	97,900	17,700	3,226,500	4,378,100	2,758,000

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Oct. 5, 1946	Sept. 28, 1946	Oct. 6, 1945
Alabama	387,000	384,000	382,000
Alaska	7,000	7,000	7,000
Arkansas	33,000	37,000	29,000
Colorado	152,000	153,000	150,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,385,000	1,422,000	1,440,000
Indiana	567,000	556,000	380,000
Iowa	29,000	25,000	49,000
Kansas and Missouri	124,000	125,000	113,000
Kentucky—Eastern	1,107,000	1,195,000	432,000
Kentucky—Western	410,000	402,000	386,000
Maryland	42,000	43,000	34,000
Michigan	1,000	2,000	3,000
Montana (bituminous and lignite)	82,000	82,000	74,000
New Mexico	31,000	30,000	27,000
North and South Dakota (lignite)	76,000	66,000	60,000
Ohio	801,000	709,000	422,000
Oklahoma	47,000	49,000	49,000
Pennsylvania (bituminous)	2,979,000	3,102,000	1,480,000
Tennessee	149,000	126,000	116,000
Texas (bituminous and lignite)	1,000	2,000	2,000
Utah	134,000	145,000	123,000
Virginia	389,000	369,000	312,000
Washington	21,000	30,000	24,000
†West Virginia—Southern	2,225,000	2,403,000	1,328,000
‡West Virginia—Northern	937,000	1,024,000	549,000
Wyoming	183,000	186,000	196,000
§Other Western States	*	*	*
Total bituminous and lignite	12,300,000	12,675,000	8,168,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Electric Output for Week Ended Oct. 19, 1946 16% Ahead of That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Oct. 19, 1946 was 4,539,712,000 kwh., an increase of 16.0% over the corresponding week last year when electric output amounted to 3,914,738,000 kwh. The current figure also compares with 4,495,220,000 kwh., produced in the week ended Oct. 12, 1946, which was 14.3% higher than the 3,934,394,000 kwh. produced in the week ended Oct. 13, 1945. The largest increase was reported by the Southern States division which showed a gain for the week ended Oct. 19, 1946 of 28.4% over the same week in 1945.

PERCENTAGE INCREASE OVER SAME WEEK LAST YEAR

Major Georgraphical Division—	Week Ended Oct. 19	Oct. 12	Oct. 5	Sept. 28	Sept. 21
New England	10.9	12.8	9.9	9.7	11.2
Middle Atlantic	9.7	9.7	7.8	8.9	7.0
Central Industrial	13.3	10.1	8.1	9.6	11.6
West Central	14.7	11.7	9.3	9.0	9.6
Southern States	28.4	24.1	19.5	17.3	18.0
Rocky Mountain	7.4	6.5	4.3	1.2	3.5
Pacific Coast	16.5	17.7	12.2	16.8	14.6
Total United States	16.0	14.3	11.2	11.9	12.1

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1946	1945	% Change under 1945	1944	1932	1929
July 6	3,741,006	3,978,426	— 6.0	3,940,854	1,415,704	1,711,625
July 13	4,156,386	4,295,254	— 3.2	4,377,152	1,433,903	1,727,225
July 20	4,293,280	4,384,547	— 2.1	4,380,930	1,440,386	1,732,031
July 27	4,352,489	4,434,841	— 1.9	4,390,762	1,426,986	1,724,728
Aug. 3	4,351,011	4,432,304	— 1.8	4,399,433	1,415,122	1,729,667
Aug. 10	4,411,717	4,395,337	+ 0.4	4,415,368	1,431,910	1,733,110
Aug. 17	4,422,242	3,939,195	+12.3	4,451,076	1,436,440	1,750,056
Aug. 24	4,444,040	4,116,049	+ 8.0	4,418,298	1,464,700	1,761,594
Aug. 31	4,404,192	4,137,313	+ 6.5	4,414,735	1,423,977	1,674,588
Sept. 7	4,184,404	3,909,408	+ 7.0	4,227,900	1,476,442	1,806,259
Sept. 14	4,521,151	4,106,187	+10.1	4,394,839	1,490,863	1,792,131
Sept. 21	4,506,988	4,018,913	+12.1	4,377,339	1,499,459	1,777,854
Sept. 28	4,517,874	4,038,542	+11.9	4,365,907	1,505,216	1,819,276
Oct. 5	4,478,092	4,028,286	+11.2	4,375,079	1,507,503	1,806,403
Oct. 12	4,495,220	3,934,394	+14.3	[illegible]	[illegible]	[illegible]
Oct. 19	4,539,712	3,914,738	+16.0	4,345,352	1,533,028	1,824,160
Oct. 26		[illegible]		[illegible]	[illegible]	[illegible]

Daily Average Crude Oil Production for Week Ended Oct. 12, 1946, Increased 834 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Oct. 12, 1946, was 4,737,400 barrels, an increase of 834 barrels per day over the preceding week and a gain of 956;750 barrels per day when compared with the corresponding week in 1945. The daily average figure, as estimated by the United States Bureau of Mines as the requirement for the month of October, 1946, was 4,771,000 barrels. Daily output for the four weeks ended Oct. 12, 1946, averaged 4,756,650 barrels. The Institute's statement further adds:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,867,000 barrels of crude oil daily and produced 14,993,000 barrels of gasoline; 1,940,000 barrels of kerosine; 6,166,000 barrels of distillate fuel, and 8,454,000 barrels of residual fuel oil during the week ended Oct. 12, 1946; and had in storage at the end of the week 86,585,000 barrels of finished and unfinished gasoline; 21,131,000 barrels of kerosine; 63,412,000 barrels of distillate fuel, and 59,753,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements October	State Allowables Begin. Oct. 1	Actual Production Week Ended Oct. 12, 1946	Change from Previous Week	4 Weeks Ended Oct. 12, 1946	Week Ended Oct. 13, 1945
**New York-Penna.	48,200		52,250	+ 600	51,700	47,200
Florida	----		----	— 16	200	50
**West Virginia	8,400		8,600	+ 1,100	8,100	7,050
**Ohio—Southeast }	7,600		5,950	+ 200	5,750	4,800
Ohio—Other }			2,300	— 50	2,450	3,300
Indiana	19,000		18,700	— 300	18,700	10,850
Illinois	214,000		208,950	+ 2,550	207,450	152,550
Kentucky	30,000		30,650	+ 150	30,900	21,050
Michigan	47,000		50,500	+ 4,000	47,550	45,200
Nebraska	800		†700	----	700	800
Kansas	264,000	270,000	†271,300	+ 3,950	273,100	270,600
Oklahoma	384,000	353,625	†352,650	— 2,700	354,100	358,800
Texas—						
District I			19,450	----	19,450	----
District II			144,800	— 1,600	147,000	----
District III			449,300	— 6,600	458,700	----
District IV			214,300	— 2,400	217,750	----
District V			39,800	— 500	40,550	----
East Texas			316,000	— 4,300	322,050	----
Other Dist. VI			102,450	— 450	103,100	----
District VII-B			33,500	+ 300	33,100	----
District VII-C			27,450	+ 150	27,300	----
District VIII			484,650	— 2,850	488,650	----
District IX			129,700	+ 300	129,300	----
District X			84,950	----	84,950	----
Total Texas	2,120,000	‡2,064,032	2,046,350	—17,950	2,071,900	1,328,950
North Louisiana			89,100	— 50	88,100	70,750
Coastal Louisiana			305,600	----	304,800	285,000
Total Louisiana	383,000	436,000	394,700	— 50	392,900	355,750
Arkansas	77,000	80,284	73,750	----	73,500	76,000
Mississippi	60,000		74,000	+ 100	73,850	50,850
Alabama	2,000		1,000	----	1,000	200
New Mex.-So. East }	100,000	106,000	99,100	----	99,250	99,500
New Mexico—Other }			500	----	450	400
Wyoming	100,000		108,500	+ 1,650	108,200	97,950
Montana	24,000		24,200	+ 450	24,100	20,250
Colorado	32,000		37,650	— 250	38,600	17,350
California	850,000	§842,500	875,100	+ 7,400	872,200	811,200
Total United States	4,771,000		4,737,400	+ 834	4,756,650	3,780,650
**Pennsylvania Grade (included above)			66,800	+ 1,900	65,550	59,050

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of October. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Oct. 10, 1946.

‡This is the net basic allowable as of Oct. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 7 to 10 days, the entire State was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED OCT. 12, 1946

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	% Operated	§Gasoline Product'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid Fuel Oil
East Coast	99.5	786	93.7	1,945	21,324	8,929	23,259	12,530
Appalachian—								
District No. 1	76.3	103	72.0	314	2,366	486	566	360
District No. 2	84.7	43	69.4	144	705	77	148	250
Ind., Ill., Ky.	87.4	779	89.5	2,664	15,325	2,900	8,840	5,563
Okla., Kans., Mo.	78.3	377	80.4	1,433	8,649	1,449	3,560	1,319
Inland Texas	59.8	205	62.1	916	2,723	489	634	798
Texas Gulf Coast	89.2	1,208	98.5	3,910	13,183	3,604	9,881	8,039
Louisiana Gulf Coast	97.4	355	110.6	1,056	4,237	1,864	3,362	2,088
No. La. & Arkansas	55.9	59	46.8	144	1,557	340	502	230
Rocky Mountain—								
District No. 3	19.0	11	84.6	34	97	15	50	43
District No. 4	70.9	121	73.3	337	1,364	198	554	741
California	85.5	820	82.5	2,096	15,055	780	12,056	27,792
Total U. S. B. of M. basis Oct. 12, 1946	85.8	4,867	87.6	14,993	*86,585	21,131	63,412	59,753
Total U. S. B. of M. basis Oct. 5, 1946	85.8	4,865	87.5	15,340	85,409	20,992	62,214	58,611
U. S. B. of M. basis Oct. 13, 1945		3,616		11,107	†69,046	12,697	43,519	46,073

*Includes unfinished gasoline stocks of 8,552,000 barrels. †Includes unfinished gasoline stocks of 8,985,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition, there were produced 1,940,000 barrels of kerosine, 6,166,000 barrels of gas oil and distillate fuel oil and 8,454,000 barrels of residual fuel oil in the week ended Oct. 12, 1946, which compares with 1,645,000 barrels, 5,687,000 barrels and 8,194,000 barrels, respectively, in the preceding week and 1,145,000 barrels, 3,904,000 barrels and 7,287,000 barrels, respectively, in the week ended Oct. 13, 1945.

NYSE Short Interest For Sept. 13 Reported

The New York Stock Exchange had the following to say on Sept. 18 regarding the short interest on the Exchange.

The short interest as of the close of business on the September 13, 1946, settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 627,964 shares, compared with 732,649 shares on Aug. 15, 1946, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Sept. 13, 1946, settlement date, the total short interest in all odd-lot dealers' accounts was 58,158 shares, compared with 36,281 shares on Aug. 15, 1946.

The report added:

Of the 1,314 individual stock issues listed on the Exchange on Sept. 13, 1946, there were 44 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The following table compiled by us shows the amount of short interest during the past year:

1945—	
Sept. 14	1,327,109
Oct. 15	1,404,483
Nov. 15	1,566,015
Dec. 15	1,465,798
1946—	
Jan. 15	1,270,098
Feb. 15	1,181,222
Mar. 15	1,015,772
Apr. 15	994,375
May 15	1,022,399
June 15	867,891
July 15	849,698
Aug. 15	732,649
Sept. 13	627,964

Magnesium Association Officers Elected

T. W. Atkins, Executive Vice-President and Secretary of The Magnesium Association, announced that the following officers for 1946-1947 were elected by members of The Magnesium Association at its third annual meeting at the Waldorf-Astoria Hotel on October 3. They are: President, R. D. Taylor, Eastern Operations, Federated Metals Division, American Smelting & Refining Co., New York, N. Y.; Vice-President, J. D. Barrington, Vice-President and General Manager, Dominion Magnesium Ltd., Toronto, Canada; Treasurer, Irving T. Bennett, Vice-President, Revere Copper & Brass Inc., Baltimore, Md.; Directors, J. D. Barrington; Irving T. Bennett; Arthur Bidwell, President, Superior Bearing Bronze Co., Inc., Brooklyn, N. Y.; Wiser Brown, Vice-President, American Magnesium Corp., Cleveland, Ohio; Edw. S. Christiansen, President, Magnesium Company of America, Chicago, Ill.; Anthony Cristello, Manager, Foundries, Eclipse-Pioneer Division, Bendix Aviation Corp., Teterboro, N. J.; Leo B. Grant, Sales Manager, Magnesium Division, The Dow Chemical Co., Midland, Mich.; Fred Hengsch, President, Castalloy Co., Inc., Cambridge, Mass.; Clayton E. Larson, General Manager, White Metal Rolling & Stamping Corp., Brooklyn, N. Y.; D. W. Moll, Vice-President and Treasurer, Hills, McCanna Co., Chicago, Ill.; G. W. Motherwell, Works Manager, Wyman-Gordon Co., Worcester, Mass.; W. H. Osborne, Secretary, Acme Aluminum Foundry Co., Chicago, Ill.; E. H. Perkins, President, Brooks & Perkins, Detroit, Mich.; D. A. Rhoades, Vice-President, The Permanente Metals Corp., Oakland, Cal.; V. D. Sweeney, General Sales Manager, National Smelting Co., Cleveland, Ohio, and R. D. Taylor.

Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Oct. 22	121.36	116.61	121.04	119.20	116.22	110.34	112.19	117.80	120.02
21	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
19	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
18	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
17	121.45	116.61	121.04	119.20	116.22	110.34	112.37	117.80	119.82
16	121.30	116.61	121.04	119.20	116.41	110.34	112.37	117.60	119.82
15	121.20	116.61	121.04	119.00	116.41	110.34	112.37	117.60	119.82
14	121.11	116.61	120.84	119.20	116.41	110.15	112.19	117.60	119.82
12	Stock	Exchange	Closed						
11	121.08	116.41	120.84	119.00	116.22	110.15	112.19	117.60	119.82
10	121.05	116.41	120.84	118.80	116.41	110.34	112.00	117.60	119.82
9	121.05	116.61	121.25	118.80	116.61	110.34	112.37	117.80	119.82
8	121.08	116.80	121.25	118.80	116.61	110.34	112.37	117.80	119.82
7	121.02	116.80	121.25	119.00	116.61	110.34	112.37	117.80	120.02
5	121.02	116.80	121.25	119.00	116.61	110.52	112.56	117.80	120.02
4	121.05	116.61	121.25	119.00	116.61	110.34	112.56	117.80	119.82
3	120.77	116.80	121.25	119.00	116.61	110.52	112.37	118.00	120.02
2	120.70	116.61	121.25	119.00	116.61	110.34	112.37	118.00	119.82
1	120.83	116.61	121.25	119.00	116.61	110.34	112.37	117.80	119.82
Sept. 27	121.08	116.61	121.04	119.00	116.61	110.15	112.37	117.80	119.82
20	121.14	116.61	121.04	119.00	116.61	110.52	112.75	117.80	119.61
13	121.80	117.20	121.46	119.41	117.00	111.44	113.89	118.00	120.22
6	122.52	118.00	122.29	120.02	117.80	112.19	114.46	118.60	120.84
Aug. 30	122.92	118.40	122.71	120.43	118.00	112.37	114.85	118.80	121.25
23	123.30	118.40	122.92	120.84	118.20	112.37	115.04	119.00	121.46
16	123.49	118.40	122.92	120.63	118.20	112.37	115.24	119.00	121.25
9	123.49	118.60	123.13	120.84	118.20	112.56	115.24	119.00	121.46
2	123.45	118.60	123.13	120.84	118.20	112.56	115.43	119.00	121.25
July 26	123.77	118.60	123.13	121.04	118.40	112.56	115.63	119.20	121.46
19	123.83	118.80	123.34	121.25	118.40	112.37	115.63	119.20	121.46
12	124.14	118.80	123.56	121.25	118.60	112.56	116.02	119.20	121.46
5	124.24	118.80	123.34	121.25	118.60	112.37	115.82	119.20	121.46
June 28	124.11	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.46
May 31	123.09	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
Apr. 26	124.33	119.00	123.34	121.25	118.40	113.12	116.41	119.41	121.04
Mar. 29	125.61	119.82	123.99	122.29	119.41	114.27	117.40	120.22	122.09
Feb. 21	126.02	120.22	123.34	121.88	119.00	114.27	116.41	120.22	122.09
Jan. 25	126.28	119.00	123.12	121.25	119.00	113.31	115.63	119.41	122.09
High 1946	126.28	120.02	124.20	122.50	119.61	114.46	117.60	120.43	122.50
Low 1946	120.76	116.41	120.84	118.80	116.22	110.15	112.00	117.60	119.61
1 year Ago Oct. 22, 1945	123.05	116.22	120.63	119.20	116.22	109.42	112.75	116.41	119.82
2 Years Ago Oct. 21, 1944	119.55	112.75	118.60	116.61	112.93	103.64	107.62	113.50	117.40

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Oct. 22	1.63	2.82	2.60	2.69	2.84	3.15	3.05	2.76	2.65
21	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
19	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
18	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
17	1.62	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.66
16	1.63	2.82	2.60	2.69	2.83	3.15	3.04	2.77	2.66
15	1.64	2.82	2.60	2.70	2.83	3.15	3.04	2.77	2.66
14	1.65	2.82	2.61	2.69	2.83	3.16	3.05	2.77	2.66
12	Stock	Exchange	Closed						
11	1.65	2.83	2.61	2.70	2.84	3.16	3.05	2.77	2.66
10	1.65	2.83	2.61	2.71	2.83	3.15	3.06	2.77	2.66
9	1.65	2.82	2.59	2.71	2.82	3.15	3.04	2.76	2.66
8	1.65	2.82	2.59	2.71	2.82	3.15	3.04	2.76	2.66
7	1.65	2.82	2.59	2.70	2.82	3.15	3.04	2.76	2.65
5	1.65	2.81	2.59	2.70	2.82	3.14	3.03	2.76	2.65
4	1.65	2.82	2.59	2.70	2.82	3.15	3.03	2.76	2.66
3	1.67	2.81	2.59	2.70	2.82	3.14	3.04	2.75	2.65
2	1.68	2.82	2.59	2.70	2.82	3.15	3.04	2.75	2.66
1	1.67	2.82	2.59	2.70	2.82	3.15	3.04	2.76	2.66
Sept. 27	1.65	2.82	2.60	2.70	2.82	3.16	3.04	2.76	2.66
20	1.65	2.82	2.60	2.70	2.82	3.14	3.02	2.76	2.67
13	1.63	2.79	2.58	2.68	2.80	3.09	2.96	2.75	2.64
6	1.58	2.75	2.54	2.65	2.76	3.05	2.93	2.72	2.61
Aug. 30	1.55	2.73	2.52	2.63	2.75	3.04	2.91	2.71	2.59
23	1.52	2.73	2.51	2.61	2.74	3.04	2.90	2.70	2.58
16	1.51	2.73	2.51	2.62	2.74	3.04	2.89	2.70	2.59
9	1.51	2.72	2.50	2.61	2.74	3.03	2.89	2.70	2.58
2	1.51	2.72	2.50	2.61	2.74	3.03	2.88	2.70	2.59
July 26	1.49	2.73	2.50	2.60	2.73	3.03	2.87	2.69	2.58
19	1.43	2.71	2.49	2.59	2.73	3.04	2.87	2.69	2.58
12	1.47	2.71	2.48	2.59	2.72	3.03	2.85	2.69	2.58
5	1.46	2.71	2.49	2.59	2.72	3.04	2.86	2.69	2.58
June 28	1.47	2.71	2.49	2.59	2.73	3.03	2.85	2.69	2.58
May 31	1.48	2.71	2.51	2.58	2.73	3.03	2.84	2.70	2.60
Apr. 26	1.45	2.70	2.49	2.59	2.73	3.00	2.83	2.68	2.60
Mar. 29	1.36	2.66	2.46	2.64	268	2.94	2.78	2.64	2.55
Feb. 21	1.33	2.67	2.49	2.56	2.70	2.94	2.83	2.64	2.55
Jan. 25	1.31	2.70	2.50	2.59	2.70	2.99	2.87	2.68	2.55
High 1946	1.68	2.83	2.61	2.71	2.84	3.16	3.06	2.77	2.67
Low 1946	1.31	2.65	2.45	2.53	2.67	2.93	2.77	2.63	2.53
1 year Ago Oct. 22, 1945	1.55	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66
2 Years Ago Oct. 21, 1944	1.86	3.02	2.72	2.82	3.01	3.53	3.30	2.98	2.78

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Sept. 5, 1946 issue of the "Chronicle" on page 1321.

Civil Engineering Construction Totals $108,205,000 for Week Ending Oct. 17

Civil engineering construction volume in continental United States totals $108,205,000 for the week ending Oct. 17, 1946, as reported by "Engineering News-Record." This volume is 32% above the previous week, 48% above the corresponding week of last year and 4% above the previous four-week moving average. The report issued on Oct. 17 went on to say:

Private construction this week, $80,215,000, is 40% above last week and 41% above the week last year. Public construction, $27,990,000, is 13% above last week and 75% greater than the week last year. State and municipal construction, $26,160,000, 20% above last week, is 104% above the 1945 week. Federal construction, $1,830,000, is 36% below last week and 43% below the week last year.

Total engineering construction for the 42-week period of 1946 records a cumulative total of $4,407,030,000, which is 163% above the total for a like period of 1945. On a cumulative basis, private construction in 1946 totals $2,671,675,000, which is 281% above that for 1945. Public construction, $1,735,355,000, is 78% greater than the cumulative total for the corresponding period of 1945, whereas State and municipal construction, $1,182,034,000 to date, is 310% above 1945. Federal construction, $553,321,000, dropped 20% below the 42-week total of 1945.

Civil engineering construction volume for the current week, last week, and the 1945 week are:

	Oct. 17, 1946	Oct. 10, 1946	Oct. 18, 1945
Total U. S. Construction	$108,205,000	$81,945,000	$73,081,000
Private Construction	80,215,000	57,277,000	57,079,000
Public Construction	27,990,000	24,668,000	16,002,000
State and Municipal	26,160,000	21,808,000	12,794,000
Federal	1,830,000	2,860,000	3,208,000

In the classified construction groups, waterworks, sewerage, industrial buildings, commercial buildings, and unclassified construction gained this week over the previous week. Five of the nine classes recorded gains this week over the 1945 week as follows: waterworks, sewerage, highways, industrial buildings, and commercial buildings.

New Capital

New capital for construction purposes this week totals $13,025,000, and is made up of $12,776,000 in State and municipal bond sales and $249,000 in corporate securities. New capital for construction purposes for the 42-week period of 1946 totals of $2,929,703,000, 72% more than the $1,701,677,000 reported for the corresponding period of 1945.

Steel Operations Slightly Under Year's High Of Last Week—Demand for Products Unabated

Many steel customers in recent weeks, sobered by inventory figures and the probability that some potential demand figures for finished products were inflated, have eliminated their practice of attempting to obtain every pound of steel that is not nailed down regardless of what type of product it was, according to "The Iron Age," national metalworking paper, which in its issue of today (Oct. 24), further reports as follows:

"While it is true that demand for steel products in general continues unabated, there is a trend among many manufacturers to build their production schedules on the basis of the availability of the 'hard-to-get items' rather than to continue the policy of further unbalancing inventories by building up to dangerous levels products which are more easily obtained.

"There is a good possibility that this trend in a more orderly steel market will assume much larger proportions over the next several months. Some manufacturers will be forced to give ground on some of their previous overoptimistic production goals. The net result of such a move, however, will be on the positive side because distribution of steel now being produced at record level will take on a more healthy hue.

"By the first of the year or shortly thereafter considerable headway will be made in cleaning up the duplication of steel orders, reducing carryovers which represent unfilled promises and paring down substantial backlogs. It is to be expected, however, that a large segment of the steel consuming industries will continue to order for inventories after production quotas have been met as a hedge against probable price rises next year.

"Probably at no other time in steel market history is there less probability of unreasonable price advances than in the coming months. A decontrol of steel prices would find producers primarily interested in reestablishing a sound economical balance between the quotations of various products rather than a move for a general horizontal hike in prices.

"It was apparent this week that some governmental officials charged with control of prices are in no hurry to carry out the implied intention rapidly to remove price controls contained in President Truman's recent talk on the decontrol of meat. It may be, according to some observers, that a reconvening of Congress will be necessary before alacrity becomes one of the main ingredients of OPA's price decontrol activity.

"An important meeting between the Steel Industry Advisory Committee and the OPA on the general question of steel prices early this week gave little indication of an early decontrol of all steel prices. Even though total price control will be completely eliminated in this country long before what would have been the case had the Administration not changed its course recently, it looked this week as if the steel industry may have to 'sweat it out' before steel is established as a free market.

"Steel industry officials at the OPA meeting in Pittsburgh, however, filed resolutions suggesting the decontrol of all steel prices and also suggesting that the current cost study looking towards an increase in some items proceed at a swifter pace. The present price adjustment negotiations between the OPA and the steel industry which are now in their sixth week are already taking on earmarks of those of a few years ago which ran on and on.

"The steel industry this week continues to turn out steel at the highest peacetime level in its history. Should a coal strike develop as a result of an impasse between the United Mine Workers and Secretary of the Interior J. A. Krug, it would not take long seriously to affect current steel production.

"Grave concern has already been expressed by the steel industry as to the supplies of coal to be available during the coming winter months. Although stocks on hand are not far out of line with 1945 inventories, the most significant factor is the emphasis on the steady production of coal rather than the inventories on hand.

"The coal strike earlier this year aggravated the loss of steel sustained during the steel strike. Any prolonged tieup at the mines would again demoralize a steel market which is only now beginning to take on the aspects of a more normal distribution. Steel officials also are not unmindful of the current Detroit wage trends, the results of which may form a pattern for steel contracts which will be opened up for negotiations about the middle of January next year."

The American Iron and Steel Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 90.3% of capacity for the week beginning Oct. 21, compared with 90.5% one week ago (which was the highest level reached since July, 1945), 90.4% one month ago and 65.1% one year ago. The operating rate for the week beginning Oct. 21, 1946, is equivalent to 1,591,400 tons of steel ingots and castings, compared to 1,595,000 tons one week ago, 1,593,200 tons one month ago, and 1,192,400 tons one year ago.

"Steel" of Cleveland, in its summary of latest news developments in the metalworking industry, on Oct. 21 stated in part as follows:

"Possibility of decontrol of iron and steel prices may come sooner than recently had generally been expected as cause for speculation among producers and consumers. Some relatively minor products may be relieved of control in the immediate future but steelmakers are in the dark as to just when OPA will effect broad decontrol.

"So marked apparenlty has been the change in administration stabilization policy within the past week, that general lifting of price regulations on steel may come before the yearend, in fact, before completion of conversations recently initiated by the industry with OPA, in a move for higher ceiling prices on certain products.

"Precise immediate effect should steel prices be decontrolled is difficult to gage. The industry is not pressing for a broad overall increase, indicating conservatism in price policy, which undoubtedly would be extended to a free market. Removal of ceilings on steel, however, probably would be accompanied by similar action on raw materials, including scrap, and by cost increases in other directions with the result considerations underlying present appeals might have to be revised. In turn, this might lead to a broader increase and possibly to a greater rise on some products than now contemplated.

"Whatever the developments, steel producers may be expected to hold prices as stable as circumstances will permit through the period of readjustment to normal marketing. Further, the competitive element should become more pronounced despite shortages in supply, particularly light flat products, since under high operations, supply and demand should strike a reasonable balance in many lines within a few months.

"Ability of mills to maintain high production is of greatest concern at the moment. Scrap, pig iron and coke are short of needs; steel production could go still higher with more adequate supplies. No stocks of scrap are being accumulated for winter, however, and ore supply may be lighter than usual. With return to a free market some of these threats to high production may become less menacing, particularly with regard to scrap.

"Currenlty an easing tendency in demand is noted which may be accentuated by uncertainty over future prices. In some consumer products pipe lines are filling up and in others, particularly heavier manufactured items, less pressure for steel is being experienced because of unbalanced inventories of materials and components. Uncertainties in material supply and labor are resulting in revisions of important expansion programs.

"Despite prospects of higher raw material prices in event of decontrol, lifting of restrictions may assure higher steelmaking operations, which, combined with easing in demand, may bring supply and consumption in closer balance and serve as a check on advancing prices."

Moody's Daily Commodity Index

Tuesday, Oct. 15, 1946	371.6
Wednesday, Oct. 16	366.9
Thursday, Oct. 17	350.2
Friday, Oct. 18	348.7
Saturday, Oct. 19	343.7
Monday, Oct. 21	347.2
Tuesday, Oct. 22	353.5
Two weeks ago, Oct. 8	339.8
Month ago, Sept. 21	335.3
Year ago, Oct. 20, 1945	261.3
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, Oct. 15	371.6
Low, Jan. 2	264.7

Wholesale Prices Up 0.6% in Week Ended Oct. 5, Labor Department Reports*

"Higher prices of agricultural commodities were chiefly responsible for an advance of 0.6% in average primary market prices during the week ended Oct. 5," according to the Bureau of Labor Statistics, U. S. Department of Labor, which on Oct. 10 stated that "at 125.1% of the 1926 average, the index of commodity prices prepared by the Bureau, was 11% higher than at the end of June and 18.9% above early October 1945. The Bureau further reported:

"Farm Products and Foods. Average prices of farm products rose 0.9%. Prices of fluid milk advanced in Chicago and New York. There were sharp increases for oranges following ceiling advances to cover higher container and wage costs, and for lemons and sweetpotatoes, while prices of apples, white potatoes and onions were lower. Cotton quotations advanced further on reports of a poor crop. Average grain quotations were lower with decreases for corn and rye and small increases for wheat, barley and oats. Prices of live poultry and sheep declined with large marketings. Prices of farm products have increased 5.1% during the last four weeks to a level 25.7% above a year ago.

"Higher prices of dairy products, exempt from OPA control, were largely responsible for an increase of 1.9% in the food index during the week. Fluid milk prices, governed by milk marketing agreements, were up 10%, cheese 9% and butter 5%. Dressed poultry prices increased on good demand. Prices of black pepper and baking powder, not under OPA control, were higher, and there were increases for peanut oil following ceiling adjustments. Grape juice prices declined. The group index for foods was 19.5% higher than at the end of June and 28.7% above a year ago.

"Other Commodities. Small increases in most commodity groups raised average prices of all commodities other than farm products and foods 0.2% during the week to a level 6.8% higher than at the end of June and 12.6% above a year ago. Prices of soybean oil and mixed fertilizers increased, reflecting OPA ceiling adjustments and there were increases for acetone and menthol. Prices of storage batteries advanced following eariler ceiling adjustments to cover higher lead costs. There were increases for cotton goods with further OPA ceiling adjustments to cover higher raw cotton costs. Prices of several commodities exempt from OPA control, including goatskins, lubricating oil, cigars, and snuff, increased. Prices of dinnerware advanced following ceiling increases. Shop lumber sold directly to millwork manufacturers rose, with incentive ceiling adjustments.

CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS
FOR WEEK ENDED OCT. 5, 1946
(1926=100)

Commodity Groups—	10-5 1946	9-28 1946	9-21 1946	3-7 1946	10-6 1945	Percentage changes to Oct. 5, 1946 from— 9-28 1946	9-7 1946	10-6 1945
All commodities	125.1	124.4	123.8	122.0	105.2	+0.6	+ 2.5	+18.9
Farm products	158.0	156.6	155.1	150.4	125.7	+0.9	+ 5.1	+25.7
Foods	135,5	133.0	131.9	130.7	105.3	+1.9	+ 3.7	+28.7
Hides and leather products	141.1	140.9	139.4	139.6	118.4	+0.1	+ 1.1	+19.2
Textile products	125.9	125.4	123.7	117.3	99.9	+0.4	+ 7.3	+26.0
Fuel and lighting materials	95.0	95.1	95.3	95.1	84.5	—0.1	— 0.1	+12.4
Metals and metal products	114.2	114.2	114.2	113.6	104.8	0	+ 0.5	+ 9.0
Building materials	134.1	134.0	133.9	133.1	117.9	+0.1	+ 0.8	+13.7
Chemicals and allied products	98.6	98.2	98.4	97.9	95.3	+0.4	+ 0.7	+ 3.5
Housefurnishings goods	115.1	115.0	114.7	114.1	106.3	+0.1	+ 0.9	+ 8.3
Miscellaneous commodities	102.2	101.8	101.8	101.3	94.6	+0.4	+ 0.9	+ 8.0
Raw materials	144.5	143.6	142.5	137.5	116.3	+0.6	+ 5.1	+24.2
Semi-manufactured	116.9	116.7	116.2	111.5	95.9	+0.2	+ 4.8	+21.9
Manufactured products	118.1	117.5	117.1	116.9	101.8	+0.5	+ 1.0	+16.0
All commodities other than farm products	117.8	117.4	116.9	115.8	100.7	+0.3	+ 1.7	+17.0
All commodities other than farm products and foods	112.6	112.4	112.1	110.8	100.0	+0.2	+ 1.6	+12.6

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
SEPT. 28, 1946 TO OCT. 5, 1946

Increases			
Dairy products	7.0	Furnishings	0.3
Other farm products	3.1	Lumber	0.3
Mixed fertilizers	2.6	Fruits and vegetables	0.2
Cotton goods	1.2	Oils and fats	0.2
Meats	0.8	Other foods	0.2
Other miscellaneous	0.8	Drugs and pharmaceuticals	0.1
Hides and skins	0.7	Paper and pulp	0.1
Decreases			
Grains	1.6	Paint and paint materials	0.2
Livestock and poultry	1.3	Bituminous coal	0.1

*Based on the BLS weekly index of prices of approximately 900 commodities which measures changes in the general level of primary market commodity prices. This index should be distinguished from the daily index of 28 basic materials. For the most part, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week-to-week changes and should not be compared directly with the monthly index.

Non-Ferrous Metals—Zinc Ceiling Raised 1c.—Premiums on Copper Shapes Up—Platinum Off

"E. & M. J. Metal and Mineral Markets," in its issue of Oct. 17 states: "Though decontrol of meat by President Truman on Oct. 14 was hailed by metal producers as a highly encouraging development, pointing to the end of numerous price controls at an early date, quick action to free the major non-ferrous metals is not anticipated. Zinc producers were relieved when OPA announced an upward revision in the ceiling price of 1c per pound. The pricing agency also raised the premiums allowed copper refiners for casting special shapes. The lead situation showed little improvement, with the flow of scrap continuing below normal because the price is generally viewed as too low. Platinum met with a sharp price setback. The publication further went to say in part as follows:

Copper

Copper sold in the foreign market during the last week at prices ranging from 16.75c to 17.25c f.a.s. New York equivalent, or moderately lower than in the preceding weeks. The tonnages sold in the open market were light compared with a week ago. The British Government is reported to have purchased Rhodesian copper during the last week on the basis of 17½c.

The September statistics of Copper Institute showed deliveries of 112,339 tons, against 118,814 tons in August.

Increases ranging from $2 to $4 per ton in premiums and toll charges for converting or casting refined copper into special shapes were announced by OPA on Oct. 14, and effective on the same day. About 25% of the refined copper sold in this country involves special shapes. OPA explained that in general refineries which cast copper into special shapes do it on a toll basis for producers to meet requirements of their customers. Should some services result in losses, OPA may grant individual adjustments for casting under toll agreements.

Ending of work stoppages was reflected in a sharp increase in production of copper in Chile in July, when output of bar copper rose to 41,104 tons, against 19,599 tons in June. Production in the first seven months of 1946 totaled 236,574 tons.

Lead

Consumers may obtain a little more lead in November than they received in the current month. Imports have been larger, due in part to the "windfall" obtained from Japan. Imports of lead recovered from that country may total between 30,000 and 40,000 tons. Demand for lead remains well in excess of the available supply. Sales of lead for the week that ended Oct. 16 totaled 3,575 tons.

United States mine output of lead in August amounted to 27,574 tons, against 24,547 tons in July, the Bureau of Mines reports.

Zinc

After two months of price uncertainty, OPA raised the ceiling price of zinc 1c per pound, establishing the market at 9¼c for Prime Western, East St. Louis, on Oct. 14. On the whole, the new price was viewed as satisfactory under prevailing conditions, particularly in reference to High Grade. Some producers of Prime Western favored a higher level. Few associated with the industry believe that the new quotation will bring about larger imports. The ore market, it is pointed out, is certain to rise.

Mine production of zinc in the United States in August, in terms of recoverable metal, amounted to 46,092 tons, against 33,545 tons (revised) in July, the Bureau of Mines reports. The increase in production is attributed largely to clarification of the uncertain price situation that prevailed in the preceding month. Production in the Central States was more than double the July output. Settlement of the strike at mines in New Jersey lifted production in the Eastern States. The Ore & Chemical Co., operating in Colorado, closed its mill at Leadville in August.

During the first half of 1946, production of zinc at the mines average 48,308 tons a month, against 51,195 tons a month for all of 1945.

Platinum

The price of platinum was reduced Oct. 15 by leading sellers to the basis of $72 per ounce troy on wholesale lots and $75 on sales to consumers, a decline of $13. Continued pressure from outside sources in the face of a reduced volume of business was given as the reason for the sharp drop in prices. An offering 200 ounces of iridio-platinum "to the highest bidder" on Oct. 11 was a distrubing development. This alloy, which contained 10% iridium, sold on the basis of $82.50 per ounce. Weakness has also appeared in the London market.

Tin

The news that has come out of the London tin conference points to a continuation of allocation of the world's production for some time to come. The conference recommended that participating governments be asked to approve formation of a permanent study group, similar to that for rubber. Production at the rate of 200,000 tons of tin a year is not expected until 1949. London traders look for general approval of the study group. No difficulties are expected in handling the world's tin situation until quota problems again enter into the picture.

Quotations here were unchanged. Straits quality tin for shipment was nominally as follows:

	Oct.	Nov.	Dec.
Oct. 10	52.000	52.000	52.000
Oct. 11	52.000	52.000	52.000
Oct. 12		— Holiday —	
Oct. 14	52.000	52.000	52.000
Oct. 15	52.000	52.000	52.000
Oct. 16	52.000	52.000	52.000

Chinese, or 99% tin, was unchanged at 51.125c.

Quicksilver

Dealers report that the situation in quicksilver remains unchanged. Foreign producers are maintaining prices, which accounts in large measure for the even course of prices here. The shipping situation continues to limit offerings of spot and nearby metal. Quotations held at $96 to $99 per flask, spot, with a possibility of doing $95 on forward metal.

Silver

Though it is known that domestic silver mined on and after July 1 this year is now moving to the Treasury, lifting some of the pressure from the market, sentiment in market circles remains decidedly mixed. Cause of uncertainty is the extent to which foreign holders of silver are willing to offer the metal in this market to obtain dollar exchange. A report to the effect that the Spanish Government intends to ship 85 tons of silver to the United States did not help matters. So-called outside sources have been offering silver more freely.

The New York Official price was unchanged throughout the week at 90⅛c. London continued to quote 55½d.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

	Electrolytic Copper— Dom. Refy.	Exp. Refy.	Straits Tin, New York	Lead— New York	St. Louis	Zinc St. Louis
Oct. 10	14.150	16.800	52.000	8.25	8.10	8.25
Oct. 11	14.150	16.800	52.000	8.25	8.10	8.25
Oct. 12	Holiday	16.800	Holiday	Holiday	Holiday	Holiday
Oct. 14	14.150	17.050	52.000	8.25	8.10	9.25
Oct. 15	14.150	16.925	52.000	8.25	8.10	9.25
Oct. 16	14.150	16.925	52.000	8.25	8.10	9.25
Average	14.150	16.883	52.000	8.25	8.10	8.85

Average prices for calendar week ended Oct. 12 are: Domestic copper f.o.b. refinery, 14.150¢; export copper, f.o.b. refinery 16.929¢; Straits tin, 52.000¢; New York lead, 8.250¢ St. Louis lead, 8.100¢, St. Louis zinc, 8.250¢; and silver 90.125¢.

The above quotations are "E. & M. J. M. & M. M's" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound.

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis: that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.225c. per pound above the refinery basis.

Effective March 14, the export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions we deduct 0.075c., for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars. For standard ingots an extra 0.05c. per pound is charged; for slabs 0.075c. up, and for cakes 0.125c. up, depending on weight and dimension; for billets an extra 0.75c. up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c. per pound over the current market for Prime Western but not less than 1c. over the "E. & M. J." average for Prime Western for the previous month.

Quotations for lead reflect prices obtained for common lead only.

Credit to Business And Industry by Philadelphia Banks

Banks in the Philadelphia area have played an important part this year in aiding business, industry, and the individual to meet the financial problems created by the reconversion period, declares Percy C. Maderia, Jr., President of the Land Title Bank and Trust Company of Philadelphia. Citing his own bank figures as an example, Mr. Maderia pointed out that Land Title's loans and discounts for first nine months of this year totaled $27,-138,000, an increase of 69% over Dec. 31, 1945, and of 21% over June 30, 1946. Business loans—credit for both large and small business—showed, he said, 166% increase for first nine months while personal loans—loans to individuals rose 82%. Building operation and F.H.A. commitments, mainly loans to builders for new home construction, were up over 100%, and loans on appliances, automobiles, home modernization, etc., jumped 403%. Commenting on a recent statement by Emil Schram, President of the New York Stock Exchange, that Comptroller of Currency should investigate loans on securities made by banks, Mr. Maderia said loans of this type by Land Title increased only 6% "despite the tremendous increases reported in other types of loans."

Tin Allocations in Second Half of 1946 to Be Lower

The United States Operating Committee of the Combined Tin Committee on Oct. 7 announced that tin allocations totalling 18,055 tons have been recommended by the Combined Tin Committee for the second half of 1946. Most of the allocations are on an interim basis, the Committee said, with a further review of the tin situation probable in early November.

Allocations for the first six months of 1946 totalled about 25,-000 tons.

Details of the allocations for the Middle East (excluding Egypt and Iran) and the Latin American countries not specified will be made available later. Specific allocations are:

Argentina	70
Austria	200
Brazil	200
Canada	1,200
Ceylon	40
Chile	25
Czechoslovakia	600
Denmark	240
Egypt	175
Finland	120
France	4,000
Greece	80
Hong Kong	75
India	2,000
Iran	25
Italy	800
Middle East (excl. Egypt and Iran)	150
Mexico	25
Norway	120
Poland	360
Switzerland	640
Sweden	200
Latin American countries (not elsewhere specified)	150
United States	6,400
Yugoslavia	160

The Committee said that the tin will come from Belgian, British or Dutch sources, plus some from South Africa and also from Japanese stocks held in the United States. For the Latin American countries, however, the United States is an additional source for very limited quantities and supplies will also be available to France from French Indo-China and to the United States from China.

The Japanese stocks were discovered by military occupation forces and shipped to the United States for inspection and sorting prior to allocaiton by the Combined Tin Committee.

Revenue Freight Car Loadings During Week Ended Oct. 12, 1946, Decreased 7,405 Cars

Loading of revenue freight for the week ended Oct. 12, 1946 totaled 899,443 cars, the Association of American Railroads announced on Oct. 17. This was an increase of 144,884 cars or 19.2% above the corresponding week in 1945, and an increase of 723 cars or 0.1% above the same week in 1944.

Loading of revenue freight for the week of Oct. 12 decreased 7,405 cars or 0.8% below the preceding week.

Miscellaneous freight loading totaled 389,391 cars, a decrease of 5,115 cars below the preceding week, but an increase of 35,839 cars above the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 130,296 cars, an increase of 3,766 cars above the preceding week, and an increase of 16,589 cars above the corresponding week in 1945.

Coal loading amounted to 185,266 cars, a decrease of 3,198 cars below the preceding week, but an increase of 84,832 cars above the corresponding week in 1945.

Grain and grain products loading totaled 49,735 cars, an increase of 2,508 cars above the preceding week, but a decrease of 4,093 cars below the corresponding week in 1945. In the Western Districts alone, grain and grain products loading for the week of Oct. 12 totaled 32,510 cars, a decrease of 1,126 cars below the preceding week and a decrease of 5,133 cars below the corresponding week in 1945.

Livestock loading amounted to 23,671 cars, a decrease of 537 cars below the preceding week and a decrease of 2,328 cars below the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of Oct. 12 totaled 19,793 cars, a decrease of 1,066 cars below the preceding week, and a decrease of 2,058 cars below the corresponding week in 1945.

Forest products loading totaled 46,374 cars, a decrease of 2,614 cars below the preceding week but an increase of 10,653 cars above the corresponding week in 1945.

Ore loading amounted to 60,361 cars, a decrease of 2,650 cars below the preceding week and a decrease of 3,117 cars below the corresponding week in 1945.

Coke loading amounted to 14,349 cars, an increase of 435 cars above the preceding week, and an increase of 6,509 cars above the corresponding week in 1945.

All districts reported increases compared with the corresponding week in 1945, except the Northwestern, and all reported decreases compared with 1944 except the Eastern, Pocahontas and Southern.

	1946	1945	1944
4 weeks of January	2,883,620	3,003,655	3,158,700
4 weeks of February	2,866,710	3,052,487	3,154,116
5 weeks of March	3,982,229	4,022,088	3,916,037
4 weeks of April	2,604,552	3,377,335	3,275,846
4 weeks of May	2,616,067	3,456,465	3,441,616
5 weeks of June	4,062,911	4,366,516	4,338,886
4 weeks of July	3,406,874	3,379,284	3,459,830
5 weeks of August	4,478,446	4,100,512	4,473,872
4 weeks of September	3,517,188	3,255,757	3,527,162
Week of Oct. 5	906,848	768,040	877,035
Week of Oct. 12	899,443	754,559	898,720
Total	32,224,888	33,536,698	34,521,820

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Oct. 12, 1946. During this period 93 roads reported gains over the week ended Oct. 13, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED OCT. 12

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Eastern District—					
Ann Arbor	430	326	364	1,603	1,178
Bangor & Aroostook	1,345	1,451	1,679	368	324
Boston & Maine	7,790	6,713	6,799	13,207	11,683
Chicago, Indianapolis & Louisville	1,495	1,139	1,274	2,191	1,690
Central Indiana	41	38	38	43	27
Central Vermont	1,191	1,082	1,076	2,337	2,567
Delaware & Hudson	5,534	4,942	5,062	11,400	9,153
Delaware, Lackawanna & Western	8,095	6,821	8,240	9,123	8,934
Detroit & Mackinac	505	278	433	260	111
Detroit, Toledo & Ironton	2,550	1,552	1,821	1,409	917
Detroit & Toledo Shore Line	438	399	361	3,092	1,540
Erie	13,712	11,490	13,649	15,692	12,482
Grand Trunk Western	4,905	3,645	3,865	7,969	7,327
Lehigh & Hudson River	143	217	131	2,768	2,145
Lehigh & New England	2,024	2,363	2,214	1,884	1,237
Lehigh Valley	8,985	7,985	8,685	8,281	6,959
Maine Central	3,042	2,574	2,312	3,461	2,940
Monongahela	6,097	768	6,137	311	233
Montour	2,787	204	2,714	20	23
New York Central Lines	54,070	41,237	51,515	51,662	35,534
N. Y., N. H. & Hartford	11,330	9,705	9,532	14,955	13,614
New York, Ontario & Western	964	870	1,241	2,960	2,275
New York, Chicago & St. Louis	7,531	5,686	6,746	13,494	11,155
N. Y., Susquehanna & Western	417	402	503	1,818	1,339
Pittsburgh & Lake Erie	5,795	4,951	7,831	8,695	4,113
Pere Marquette	7,045	4,769	5,918	6,762	5,193
Pittsburg & Shawmut	1,060	529	822	27	29
Pittsburg, Shawmut & Northern	277	182	326	131	170
Pittsburgh & West Virginia	1,020	1,001	1,211	1,830	1,922
Rutland	476	401	377	1,278	1,104
Wabash	7,141	5,901	6,360	1,776	9,487
Wheeling & Lake Erie	5,878	3,220	5,394	3,712	3,532
Total	174,113	132,841	164,630	204,519	160,937
Allegheny District—					
Akron, Canton & Youngstown	672	541	753	1,409	782
Baltimore & Ohio	40,945	34,568	46,642	24,552	20,548
Bessemer & Lake Erie	5,037	3,148	5,462	2,283	1,235
Cambria & Indiana	1,645	369	1,674	11	10
Central R. R. of New Jersey	7,184	6,023	6,702	18,506	14,761
Cornwall	477	517	521	42	55
Cumberland & Pennsylvania	180	221	183	16	8
Ligonier Valley	27	65	111	7	8
Long Island	2,287	2,031	1,947	4,562	4,265
Penn-Reading Seashore Lines	2,139	1,778	1,985	2,041	1,663
Pennsylvania System	91,089	68,882	86,820	61,442	48,640
Reading Co.	16,353	13,947	15,521	24,869	22,095
Union (Pittsburgh)	18,562	12,284	18,949	6,088	4,027
Western Maryland	4,160	3,606	3,984	10,123	10,604
Total	190,757	147,980	191,254	155,931	128,701
Pocahontas District—					
Chesapeake & Ohio	32,290	11,137	28,692	15,539	10,292
Norfolk & Western	26,165	11,935	21,855	6,822	5,922
Virginian	4,242	1,658	4,005	1,448	1,839
Total	62,697	24,730	54,552	23,809	18,053
Southern District—					
Alabama, Tennessee & Northern	282	441	374	196	230
Atl. & W. P.—W. R. R. of Ala.	857	825	801	2,126	2,062
Atlanta, Birmingham & Coast	†	†	812	†	†
Atlantic Coast Line	12,429	11,731	12,390	8,534	8,745
Central of Georgia	4,127	3,871	3,656	4,573	4,247
Charleston & Western Carolina	502	472	458	1,278	1,247
Clinchfield	1,776	1,499	1,683	3,517	1,922
Columbus & Greenville	421	398	288	309	244
Durham & Southern	118	156	179	812	554
Florida East Coast	747	874	935	1,510	1,238
Gainesville Midland	84	76	54	89	119
Georgia	1,071	1,384	1,377	2,293	2,231
Georgia & Florida	385	417	428	598	681
Gulf, Mobile & Ohio	5,020	4,865	4,831	3,569	4,376
Illinois Central System	27,278	26,474	30,571	15,289	15,742
Louisville & Nashville	29,412	17,152	25,739	9,544	9,665
Macon, Dublin & Savannah	205	224	225	804	850
Mississippi Central	383	287	349	348	519
Nashville, Chattanooga & St. L.	3,360	3,175	3,333	4,182	3,884
Norfolk Southern	1,204	1,102	1,040	1,909	1,466
Piedmont Northern	429	424	403	1,712	1,426
Richmond, Fred. & Potomac	440	479	421	7,829	7,792
Seaboard Air Line	10,584	9,913	9,641	8,055	7,205
Southern System	27,875	24,088	25,225	24,701	19,839
Tennessee Central	661	484	751	879	845
Winston-Salem Southbound	164	133	144	1,092	1,000
Total	129,814	110,944	126,108	105,748	98,129
Northwestern District—					
Chicago & North Western	21,345	20,535	20,874	15,553	15,142
Chicago Great Western	2,330	2,478	2,646	3,995	3,501
Chicago, Milw., St. P. & Pac.	24,364	21,866	23,816	11,347	10,289
Chicago, St. Paul, Minn. & Omaha	3,747	4,209	3,541	4,838	4,782
Duluth, Missabe & Iron Range	20,387	25,711	24,776	305	531
Duluth, South Shore & Atlantic	1,024	961	595	671	489
Elgin, Joilet & Eastern	9,221	7,398	9,597	8,895	7,651
Ft. Dodge, Des Moines & South	479	524	466	136	100
Great Northern	23,502	24,044	24,507	6,910	5,512
Green Bay & Western	654	615	657	1,001	828
Lake Superior & Ishpeming	2,139	2,486	1,632	60	84
Minneapolis & St. Louis	2,166	2,529	2,633	2,925	2,814
Minn., St. Paul & S. S. M.	7,919	8,600	7,660	3,741	3,249
Northern Pacific	13,679	14,167	13,814	5,338	4,901
Spokane International	243	155	177	549	227
Spokane, Portland & Seattle	2,790	2,363	2,660	2,836	2,524
Total	135,989	138,641	140,051	69,100	62,624
Central Western District—					
Atch., Top. & Santa Fe System	26,474	24,327	25,836	13,730	11,718
Alton	3,251	3,525	3,592	3,419	3,400
Bingham & Garfield	326	301	391	63	62
Chicago, Burlington & Quincy	21,866	23,181	22,079	13,212	11,847
Chicago & Illinois Midland	3,110	3,011	2,463	662	745
Chicago, Rock Island & Pacific	13,376	12,875	12,622	13,729	12,075
Chicago & Eastern Illinois	3,141	2,611	2,965	3,507	2,998
Colorado & Southern	749	1,416	1,212	2,219	2,225
Denver & Rio Grande Western	4,962	5,224	5,286	5,797	5,436
Denver & Salt Lake	897	834	868	47	62
Fort Worth & Denver City	1,103	883	1,072	1,648	1,598
Illinois Terminal	2,206	1,946	2,246	2,179	2,149
Missouri-Illinois	1,395	1,384	1,239	484	567
Nevada Northern	1,420	1,427	1,594	152	109
North Western Pacific	1,206	1,195	1,208	662	724
Peoria & Pekin Union	27	4	5	0	0
Southern Pacific (Pacific)	33,862	31,812	34,364	11,404	11,743
Toledo, Peoria & Western	§	§	380	§	§
Union Pacific System	21,047	21,393	23,754	16,805	16,892
Utah	991	793	489	9	15
Western Pacific	2,440	2,117	2,394	4,435	4,632
Total	143,849	140,259	146,059	94,163	88,997
Southwestern District—					
Burlington-Rock Island	298	383	773	435	375
Gulf Coast Lines	3,630	2,959	5,307	2,310	2,285
International-Great Northern	1,891	1,886	2,659	2,933	3,143
‡K. O. & G.-M. V.-O. C.-A.-A.	1,328	1,334	1,055	1,886	1,552
Kansas City Southern	3,214	2,737	5,053	2,611	2,496
Louisiana & Arkansas	2,316	2,351	3,932	2,430	2,205
Litchfield & Madison	401	271	278	1,507	1,118
Missouri & Arkansas	§	185	196	§	324
Missouri-Kansas-Texas Lines	5,262	5,333	6,593	4,394	3,606
Missouri Pacific	17,137	17,657	18,633	14,902	14,671
Quanah Acme & Pacific	160	100	54	271	203
St. Louis-San Francisco	10,258	10,057	10,836	8,210	7,703
St. Louis-Southwestern	3,348	2,612	3,954	5,044	4,428
Texas & New Orleans	8,647	7,209	11,074	5,680	5,140
Texas & Pacific	4,219	4,001	5,547	6,151	6,142
Wichita Falls & Southern	80	74	89	72	55
Weatherford M. W. & N. W.	35	15	33	7	28
Total	62,224	59,164	76,066	58,843	55,474

†Included in Atlantic Coast Line RR. ‡Includes Kansas, Oklahoma & Gulf Ry., Midland Valley Ry., and Oklahoma City-Ada-Atoka Ry. §Strike.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production. and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORT—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1946—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
July 6	180,587	118,542	596,425	70	95
July 13	127,832	141,476	599,527	87	95
July 20	149,547	158,210	588,429	94	95
July 27	149,865	161,405	575,590	95	95
Aug. 3	215,730	167,192	620,354	98	95
Aug. 10	156,766	163,034	610,459	96	95
Aug. 17	158,304	166,363	600,674	98	95
Aug. 24	146,057	168,120	578,276	100	95
Aug. 31	160,074	173,064	564,299	100	95
Sep. 7	192,978	138,189	615,865	83	95
Sep. 14	151,407	172,476	593,213	101	95
Sep. 21	156,822	169,143	579,500	100	95
Sep. 28	160,969	170,970	569,409	101	95
Oct. 5	223.117	172,354	619,581	100	95
Oct. 12	158,176	169,988	605,059	99	95

NOTES—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on Oct. 21 that the tenders for $1,300,000,000 or thereabout of 91-day Treasury bills to be dated Oct. 24 and to mature Jan. 23, which were offered on Oct. 18, were opened at the Federal Reserve Banks, on Oct. 21.

Total applied for $1,790,665,000.

Total accepted, $1,301,905,000 (includes $30,750,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

70% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Oct. 24 in the amount of $1,305,129,000.

Sept. Cotton Consumption

The Census Bureau at Washington on Oct. 17 issued its report showing cotton consumed in the United States, cotton on hand and active cotton spindles in the month of September.

In the month of September, 1946, cotton consumed amounted to 818,449 bales of lint and 74,556 bales of linters as compared with 855,511 bales of lint and 84,030 bales of linters in August and 700,44 bales of lint and 77,488 bales of linters in September, 1945.

In the two months ending September 30, cotton consumption was 1,673,960 bales of lint and 161,473 bales of linters, which compares with 1,438,893 bales of lint and 161,518 bales of linters in the corresponding period of a year ago.

There were 1,956,442 bales of lint and 156,795 bales of linters on hand in consuming establishments on Sept. 30, 1946, which compares with 2,082,696 bales of lint and 197,954 bales of linters on Aug. 31, and 1,745,954 bales of lint and 196,267 bales of linters on Sept. 30, 1945.

On hand in public storage and at compresses on Sept. 30, 1946, there were 4,328,526 bales of lint and 41,641 bales of linters, which compares with 3,834,342 bales of lint and 40,527 bales of linters on Aug. 31 and 8,306,523 bales of lint and 25,040 bales of linters on Sept. 30, 1945.

There were 21,642,924 cotton spindles active during September, which compares with 22,018,548 cotton spindles active during August, 1946, and with 21,359,866 active cotton spindles during September, 1945.

Weekly Lumber Shipments Were 12% Below Output

According to the National Lumber Manufacturers Association, lumber shipments of 408 mills reporting to the National Lumber Trade Barometer were 12.0% below production for the week ending Oct. 12, 1946. In the same week new orders of these mills were 6.7% below production. Unfilled order files of the reporting mills, amounted to 62% of stocks. For reporting softwood mills, unfilled orders are equivalent to 25 days' production at the current rate, and gross stocks are equivalent to 39 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 1.2%; orders by 0.3%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 8.0% above; shipments were 1.1% below; orders were 6.6% above.

Items About Banks, Trust Companies

The election of Robert T. Stevens as a Trustee of The Franklin Savings Bank of New York is announced by Henry J. Cochran, President. Mr. Stevens is Chairman of the Board of J. P. Stevens & Co., Inc., a Trustee of the Mutual Life Insurance Co., and a Director of the Guaranty Trust Co., New York Telephone Co., General Electric Co., General Foods Corp., Alexander Smith & Sons Carpet Company, and the Yale & Towne Manufacturing Co.

The Irving Savings Bank of 115 Chambers Street, New York, announced on Oct. 16 that it will open its new branch office at West 111th Street and Broadway, Manhattan, on Oct. 30th. This new office will be located in the old Keannelly's Restaurant Building a famous eating place a quarter of a century ago. The bank purchased the building last year and has recently renovated and altered it to provide a complete range of Savings Bank facilities. The alteration includes modern vaults and Safe Deposit Boxes and an elevator for customers using that department. The office is the second branch established by the Irving Savings Bank in Manhattan besides its main office at 115 Chambers Street. Its first branch, established in 1937, at 81st Street and First Avenue, recently passed the $10,000,000 mark in deposits, with more than 11,000 accounts. Robert A. Barnet, President of the Irving Savings Bank, expressed the belief that the outlook for increased savings in the West Side area is very encouraging.

It was also announced that with the opening of this new branch the following promotions were made in the official staff of the Bank: John H. Hammett, Vice-President and Secretary; Leslie G. Cheshire, Comptroller and Assistant Secretary; Richard J. Fisher, Assistant Secretary and Real Estate Officer; Edwin S. Dippold, Assistant Vice-President in charge of the 81st Street Office and Walter S. Van Compen, Assistant Vice-President in charge of the new branch. Elliott O. Slaght, and Wilbur Baker were appointed Branch Managers at 81st Street and 111th Street respectively.

Irving Trust Company of New York announced on Oct. 10 the election of Walter Mitchell, Jr., as a Vice-President. He will assume his duties Nov. 15. Mr. Mitchell went with the Irving from Dun & Bradstreet, Inc. where he supervised the development of market research and other new agency services. Previously he had handled advertising and public relations in the automotive field. He has written and spoken extensively on business and economic subjects.

Clinton Trust Company of New York announces that Charles T. Bryan has been elected a director. Mr. Bryan, partner in Charles T. Bryan & Company, certified public accountants, has been a member of the faculty of Pace Institute since 1914 and one of its trustees since its incorporation. He is a past director of the New York State Society of Certified Public Accountants and is a member of the American Institute of Accountants.

At a meeting, the Board of Trustees of Central Savings Bank of New York approved a program for payment of hospital and medical insurance for its staff through the Associated Hospital Service (Blue Cross Plan) and its affiliate, United Medical Service. Approximately 200 employees at the bank's two offices — 73rd Street & Broadway and 4th Avenue & 14th Street — will benefit by the plan.

Philip A. Benson, President of the Dime Savings Bank of Brooklyn, N. Y., and active in civic and philanthropic affairs, died on Oct. 16 after a brief illness. He was 64 years of age. Besides having held the presidency of the American Bankers' Association in 1938, Mr. Benson had also served as President of the Mutual Savings Banks Association of New York State, and of the National Association of Mutual Savings Banks—Born in Brooklyn in Dec. 1881, Mr. Benson according to the New York "Herald Tribune" of Oct. 17 began as an office boy for the Phenix Insurance Company of Brooklyn in 1895. The next year he was with the Mutual Life Insurance Society of New York, and from 1906 to 1917 with the Realty Associates of Broklyn. The "Herald Tribune" added:

He joined the Dime Savings Bank in 1917 as an Assistant Secretary, specializing in real estate and mortgage work. His rise in the bank was rapid. He became successively Secretary, Treasurer and in 1932 President. The bank had absorbed in 1930 the Navy Savings Bank, also of Brooklyn, and this made the Dime Savings Bank the largest in Brooklyn in the number of accounts. Under Mr. Benson's administration it did much to further housing projects.

In the Brooklyn "Eagle" of Oct. 17 it was stated in part:

One of Mr. Benson's major interests was the Y. M. C. A. He was a member of the board of directors of the Brooklyn and Queens association from Nov., 1939, until his death.

He was a director or trustee of the Brooklyn Bureau of Charities, the Long Island College of Medicine, Y. W. C. A., the Brooklyn Home for Consumptives and the Brooklyn Institute of Arts and Sciences.

Mr. Benson had been Vice-President of the Brooklyn Chamber of Commerce and of the Downtown Brooklyn Association. He served on special committees of the Chamber of Commerce of the United States and the Chamber of Commerce of the State of New York. He was also a member of the Brooklyn Real Estate Board, the Citizens Budget Commission, the American Arbitration Association and the Brooklyn Better Housing Committee. He served in the preparation and direction of the World's Fair. He was one of the incorporators of the fair and served on its board of directors.

He was an officer of a number of corporations, including the Title Guarantee & Trust Co., the Kings County Trust Co., and the Atlantic Mutual Insurance Co. He was a director of Abraham & Straus, Inc., the Commonwealth Insurance Company of New York, the North Britain and Mercantile Insurance Co., the Institutional Securities Corporation and other firms.

Important among his charitable activities was his chairmanship of the Brooklyn division of the Greater New York Fund, a position he held for three straight years.

Andrew B. Davison, a Vice-President of the National Commercial Bank and Trust Company of Albany, N. Y. has been elected a member of the board of trustees of the National Savings Bank in that city, it was reported in the Albany "Times Union" on Oct 16.

The New York State Banking Department announced on Oct. 11, that the Morris Plan Industrial Bank of Albany, N. Y. has been given approval to increase its capital stock from $150,000 consisting of 15,000 shares at $10 par to $200,000 of 20,000 shares at the same par value.

Kenneth Strachan, Treasurer of Baldwin, Bowers & Strachan Inc., advertising concern, has been named Chairman of the Executive Committee of the Buffalo Industrial Bank, Buffalo, N. Y. As Chairman of this committee, Mr. Strachen also will be head of the institution's new Operating Committee which has been formed to supervise operations of the institution until a President has been chosen.

The Buffalo "Evening News" in reporting the foregoing also said in part:

A President is not expected to be selected for some time, Mr. Strachan said. Meanwhile, the bank's operations will be supervised by the Operating Committee composed of Vice-President Ralph W. Stoddard, Vice-President Kenneth R. Reid and Secretary-Treasurer Sherwin J. Thorne.

Victor Holden has resigned as President of the bank effective Tuesday. Stock control of the bank was reacquired a year ago by the Morris Plan Corporation of America. This control was relinquished in 1937.

Douglas W. Morgan, President of the Palisades Trust Company, of Englewood, N. J., has announced the appointments of Albert F. Hill as Treasurer of the bank and Lloyd Jones as Assistant Treasurer. Mr. Hill has been associated with the Bank for 25 years. He has served as Assistant Treasurer since 1927 and has also served as Assistant Trust Officer. Mr. Jones has been employed by the Bank for the past 7 years. He served 2 years in the Navy during the war.

Edwin A. Soast was named Vice-President of Provident Trust Company of Philadelphia on Oct. 17 at a meeting of the board of directors, W. Logan MacCoy, President, announced. Mr. Soast joined Provident in 1917, was named Assistant Treasurer in 1932, and was appointed Assistant Vice-President in 1943. During the first World War he fought with the Canadian Army in Western Europe and Russia.

Directors of The Philadelphia National Bank of Philadelphia, Pa. have authorized the transfer of $8,000,000 from undivided profits to surplus account. The bank now has a capital of $14,000,000, surplus of $36,000,000 and undivided profits of $6,862,503.

The board of directors on Oct. 9, voted to increase the surplus of the Potter Title and Trust Company, Pittsburg, Pa. from $575,000 to $700,000. The President, H. R. Hosick, in announcing this, said that the additional $125,000 will be taken from undivided profits, we learn from the Pittsburgh "Post Gazette."

Dr. Urbane A. Noble, President of the First National Bank of Scranton, Pa. died on Oct. 10 at the age of 68, it was reported by the Philadelphia "Inquirer" of Oct. 10.

Caleb Mercer Sherward, Vice-President of the Wilmington Trust Company, Wilmington, Del. and prominent banker of that city, died on Oct. 4, he was 80 years old. The Philadelphia "Inquirer" of Oct. 8 reported, that Mr. Sherward had been associated with the Wilmington Trust Company since 1912, when it merged with the National Bank of Wilmington and Brandywine. He had been connected with the latter institution since 1883.

The election of Willard G. Barker, as Vice-President of the Surburban National Bank of Silver Spring, Md., was announced on Oct. 11 by T. Edward Duckett, Chairman. According to the Washington, D. C. "Post", Mr. Barker, who succeeds George T. Day, comes to the surburban bank from the City Bank of Washington.

Directors of Riggs National Bank, Washington, D. C. on Oct. 8 authorized the transfer of $500,000 from undivided profits to surplus account. The bank's balance sheet, after giving effect to the latest transfer, will show capital of $5,000,000 and surplus of $7,500,000, the Washington, D. C. "Post" reported on Oct. 9.

Appointment of Arthur J. McConville, Novel E. Pearson, and John F. Singleton as Assistant Vice-Presidents of the LaSalle National Bank of Chicago, Ill. was announced on Oct. 14 by C. Ray Phillips, President. Advices appearing in the Chicago "Journal of Commerce" of Oct. 15, added:

All three were advanced from positions as Assistant cashiers. Each of the three new officers has been identified with the bank since it was founded six years ago.

The election of Walton W. Steele as Cashier of the Baltimore Bank, Kansas City, Mo. at a meeting of the board of directors, was reported on Oct. 13, by the Kansas City "Star."

Appointment of Francis J. Moore as manager of the new Manila, P. I., office of the Bank of America of Los Angeles, Cal. is announced by L. M. Giannini, President. Mr. Moore takes to his new assignment a background of 18 years of banking experience and an intimate knowledge of Philippine affairs. He was born in the Philippines of American parents, and after completing grammer school at Baguio went to California for his higher education, attending Mount Tamalpais Military Academy at San Rafael and Stanford University. Entering banking in 1928 he served in various banking capacities in several California cities until early 1942, when he entered the navy as a Lieutenant. He won promotion to Lieutenant Commander and then was assigned to the staff of General Buckner as Chief fiscal officer for military government in Okinawa. At the end of hostilities he was returned to Washington, D. C. with rank of Commander, and last December he was released from active duty at his own request to return to his banking career. He plans to leave for his new assignment in Manila after word is received from Executive Vice-President Russell G. Smith, now in Manila to organize the new facilities there, that essential operating arrangements have been completed.

W. D. (Dale) Courtney, formerly Assistant Vice-President and manager of the Bremerton Branch of the National Bank of Commerce of Seattle, Wash. has been elected a Vice-President at the bank's Main Office, Andrew Price, President, announced on Oct. 10. A member of the Commerce organization since 1912, Mr. Courtney has advanced through various departments of the bank. He was elected an Assistant Cashier in 1931 and an Assistant Vice-President in 1937, followed by assignment as manager of the Bremerton Branch. Succeeding Mr. Courtney as manager in Bremerton will be Leo Haskell. He joined Commerce at Bremerton in 1933 as Assistant Cashier and was advanced to Assistant Manager in 1937. Prior to that time he was affiliated with other banks in Washington and Idaho. Promotion of W. N. Chance to Assistant Cashier of the Bremerton Branch was also announced. Joining the staff in 1918 as a messenger, he subsequently filled assignments in many departments. For the past two years Mr. Chance has been in the credit department at the Main Office.

Following a meeting of the board of directors of the Dominion Bank, (head office Toronto) it was announced that A. C. Ashforth had been appointed as Assistant General Manager of the bank. Mr. Ashforth,, entered the bank at Toronto in 1910, according to the Toronto "Globe and Mail" of Oct. 7 which, also said:

F. F. Hull has been appointed manager of the bank's main Toronto branch in succession to Mr. Ashforth. He joined the bank in 1917 as a junior clerk at Guelph, since when he has seen service at various Eastern branches.

The board of directors of the Bank of New South Wales announces that R. S. Brittain, formerly Manager of the British and Foreign Department of the bank has been appointed Manager of the bank's London Office and that D. J. M. Frazer, has been appointed Manager of the British and foreign department Head Office, Sydney.

U. S. to Attend Tin Talks Sponsored by Britain

Great Britain has invited the United States and seven other principal tin-consuming or tin-producing countries to an international conference in London, which was scheduled to open about Oct. 8. This was learned from Associated Press advices Sept. 8, appearing in the New York "Journal of Commerce," from which we also quote:

"In a statement disclosing acceptance of the invitation, the State Department said today the conference will discuss the prospect of setting up an international study group for tin to replace the old International Tin Committee, organized in 1931.

"The Tin Committee expires this year. The United States has objected to it because only producing countries are represented.

"Also invited to London are Belgium, Bolivia, China, France, the Netherlands, Siam and Russia."

UNESCO Delegates Chosen

Delegates and their alternates named by President Truman on Oct. 14 for the first session of the United Nations Educational, Scientific and Cultural Organization's meeting in Paris in November are as follows, according to a special dispatch from Washington to the New York "Times":

Anne O'Hare McCormick of the "Times," who is now in Paris; William Benton, Assistant Secretary of State for Cultural Relations; Archibald MacLeish, poet, former Librarian of Congress and former Assistant Secretary of State; George D. Stoddard, President of the University of Illinois, and Arthur H. Compton, Chancellor of Washington University.

The alternates are Chester Bowles, former Price Administrator and Stabilization Director; Milton Eisenhower, President of Kansas State University; Charles Johnson, Director of the Social Science Department of Fiske University and Director of the Institute of Race Relations at Swarthmore College; Anna Rosenberg, a member of the advisory board of the Office of War Mobilization and Reconversion, and George Shuster, president of Hunter College.